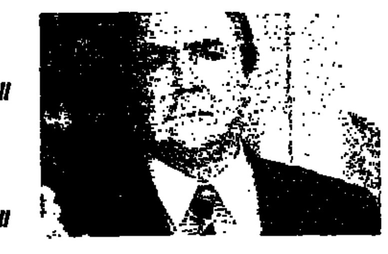


EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,497
Weekend July 6/July 7 1991
D 8523A

WORLD NEWS

Iraq pledges to give UN nuclear information

Iraqi leader Saddam Hussein promised the United Nations that his country would turn over a list of nuclear materials sought by UN inspection teams and ensure inspectors had unimpeded access to sites.

The pledge was made in a note to Saddam to the UN secretary-general Javier Pérez de Cuéllar following unsuccessful searches by inspection teams of uranium-enrichment equipment at Iraqi army bases.

ANC chooses moderates
The African National Congress elected a moderate new leadership that will strengthen its team in talks on a post-apartheid South African constitution. Miners' union leader Cyril Ramaphosa, with a reputation as a strong negotiator, was chosen as secretary-general. Page 22; Man who knows how to negotiate, Page 3

Missile parts shipments
Japan Aviation Electronics Industry Company, a subsidiary of Japan's NEC Corporation, admitted it had unlawfully shipped components for use in Iranian missiles. Japanese police alleged it had also supplied navigation equipment for Iranian jet fighters. Page 22

£1m forgeries found
Police recovered £1m in forged bank notes when they raided a hotel at Newbury, Berkshire. Three men were later in custody at Newbury police station.

Papers 'were shredded'
Documents were shredded "on an unprecedented scale" when the net began to close on the Barlow Clowes fund management empire at the end of 1987, the prosecution told the Old Bailey trial jury. Page 4.

Conviction quashed
A Dutch appeal court in Den Bosch quashed the conviction of Irish national Gerard Harte and upheld the acquittal of three others accused of killing two Australians at Roermond in The Netherlands in 1990.

Portugal rail strike
Portugal's railways were paralysed by a 24-hour strike called by rail unions demanding a 40-hour week, a new pay structure and earlier retirement.

All-German tennis final
The Wimbledon men's final will be between Boris Becker of Germany and compatriot Michael Stich, who beat defending champion Stefan Edberg of Sweden.

West Indies 38 behind
The West Indies were 262 for 5 on the second day of the third Test at Trent Bridge, in reply to England's 300.

BUSINESS SUMMARY

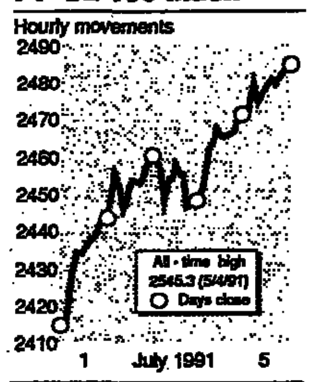
Brent Walker rescue plan hits problems with banks

BRENT WALKER's rescue plan has hit a potentially critical hitch. The UK leisure group disclosed that some of its 47 banks have objected to the deal agreed weeks ago with its convertible bond holders.

Meanwhile some banks – mainly Japanese – have approved the restructuring plan in principle but refuse to put new money into Brent Walker. Page 22 and Lex

LONDON STOCKS made more gains yesterday. Buoyed by hopes of an early cut in UK base rates and a rise on Wall Street, the market brushed off a fall in Japanese stocks

FT-SE 100 Index



and the BCCI bank closure. The FT-SE 100 Index closed 14.3 higher at 2,484.7 – almost 70 points up over the week. Page 13; Lex, Page 22; Markets, Weekend FT Page II

MOUNTLEIGH, troubled UK property and retail company which owes £610m, is seeking £96m in new equity after breaching its banking facilities. Page 7; Lex, Page 22

JAPAN's four leading securities houses were ordered to pay an extra Y9bn (£40m) in taxes and told to stop running special discretionary accounts for favoured corporate clients. Page 3

TIPHOOK, UK container rental business which bought Sea Containers' fleet last year, more than doubled annual taxable profits from £33.1m to £76.1m. Page 7; Lex, Page 22

ALAN BOND's main personal investment vehicle, Dallhold, has been put in provisional liquidation – signalling the end of the line for the Australian entrepreneur. Page 10

FIAT of Italy joined UK's car price war with cuts of £500 to £2,000 on some models. Page 4

HONG KONG stock exchange refused to reform its governing council – putting it at loggerheads with the Securities and Futures Commission. Page 3

DE HAVILLAND, Canadian aircraft maker, is axing 7 per cent of its workforce. Page 10

Unprecedented operation as authorities seize bank's assets

BCCI shut down worldwide amid fraud disclosures

By David Lascelles and Richard Donkin

BANK OF Credit and Commerce International, one of the world's most controversial banks, was closed down by the banking authorities in an unprecedented worldwide operation yesterday.

Direct action to seize assets of the $20bn (£13bn) institution was taken in the seven countries where it has its largest operations: Luxembourg, the UK, the Cayman Islands, the US, France, Spain and Switzerland.

More than 60 other countries where it operates were notified of the swoop and asked to co-operate.

The action followed the discovery of large-scale fraud going back several years, according to Mr Robin Leigh-Pemberton, the governor of the Bank of England. He said the fraud had been perpetrated at the highest levels within the institution.

The evidence has been passed to the UK's Serious Fraud Office which will investigate the bank.

Although BCCI has been linked to drug money laundering and acted banker to General Manuel Noriega, the deposed Panamanian dictator, yesterday's action was not directly connected with drugs, Mr Leigh-Pemberton said.

The fraud resulted from large losses accumulated in both the bank's lending and treasury operations which the bank had tried to conceal "with false accounting and other devices which had been highly deceptive".

Evidence of the fraud was uncovered at the beginning of this year. A full report was commissioned from Price Waterhouse, BCCI's auditor, which produced the evidence which the authorities needed to act.

The swoop was planned in only a week from the time the report was submitted. Although international banking supervisors co-operate closely to keep a check on global markets, an operation of this complexity is unprecedented.

It involved co-ordinating dozens of banking authorities in conditions of total secrecy to avoid alerting BCCI and disrupting markets. And it appeared to have been a total success. By last night, most of BCCI's assets had been seized. Depending on procedures in each country, the assets were either under the control of the banking authorities or of the courts.

The many authorities responsible for BCCI have set up a central unit at the Bank of England to co-ordinate global action and provide a central point for supervisory information and advice.

In the UK, BCCI has 25 branches about about $3.2bn of assets. A provisional liquidator, Mr Christopher Morris of Touche Ross, has been appointed by the UK courts, and this business will be wound up. Similar steps will be taken in other countries.

Mr Leigh-Pemberton said the action was being taken to safeguard the depositors, creditors and shareholders of the BCCI group. He said it would be several weeks before the business was liquidated and depositors paid off under the UK's deposit insurance scheme. It was too early to estimate the size of the losses, but he was confident the authorities would be able to achieve an orderly run-down of the business.

BCCI, founded 20 years ago by Mr Agha Hassan Abedi, an Indian, has long had a reputation as one of the world's most shadowy banks. Based in Luxembourg but run from Abu Dhabi, it operates in 69 countries but has none which it can truly call home.

It is 77 per cent-owned by the Sheikh of Abu Dhabi and his government who injected $1bn of capital into it in 1990 after it suffered heavy losses.

The swoop was undertaken without any prior consultation with the Sheikh of Abu Dhabi. But Mr Leigh-Pemberton said: "I very much hope that the shareholders will assist us in an orderly run-down."

Last year BCCI was found guilty of laundering drug money in the US and told to forfeit $15m. It also recently agreed to shut down its US operations after the Federal Reserve Board found strong evidence that it had secretly owned Washington's largest bank for the last 10 years.

Yesterday' action by the banking authorities centred on BCCI SA, a Luxembourg-registered subsidiary which has $7.4bn assets, of which the UK accounts for nearly half. The group's other main business is BCCI Overseas based in the Cayman Islands with a similar amount of assets.

The group had been planning a radical restructuring to liquidate its existing operations and divide the business into three separate banking entities covering Europe, Asia and the Middle East.

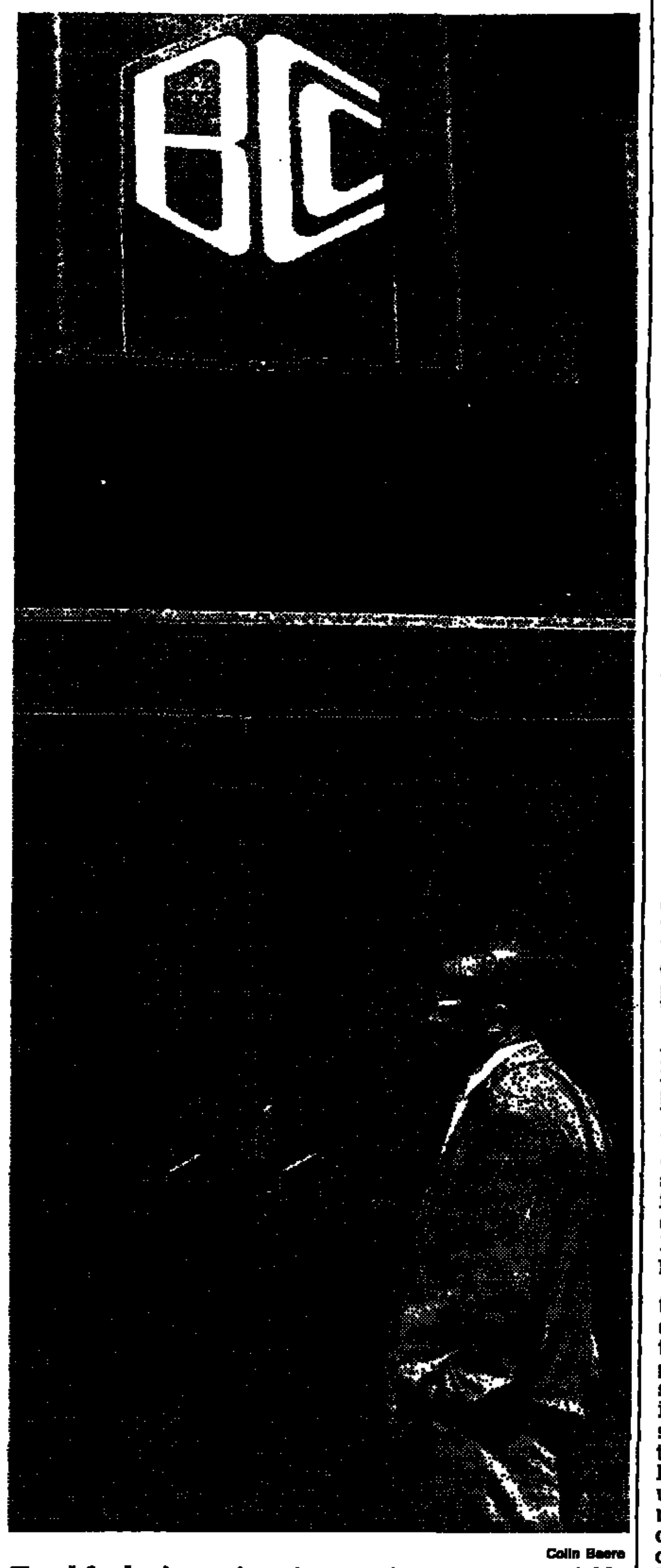
No official of the bank was available to comment on the assets seizure.

The Bank of England's move, which took place at 1pm, was timed to precede the opening of the New York business day and avoid disrupting the dollar markets. BCCI has a large dollar business.

The Bank estimates that other banks have an exposure to BCCI of about $2bn, but Mr Leigh-Pemberton said this was "not of a scale likely to cause difficulties."

BANK SCANDAL

■ Global reach of 'auditor's nightmare' .... Page 2
■ Co-ordinated swoop across 7 countries .... Page 2
■ A deserted building and bitter staff .... Page 2
■ Profile: Agha Hasan Abedi. Page 2
■ Lex .... Page 22



Colin Beere
Closed for business: A customer gets no answers outside the Cannon Street branch of BCCI yesterday

ICI in £1bn hunt for drugs partner

By Clive Cookson

IMPERIAL Chemical Industries has a shortlist of candidates for merger, acquisition or global alliance with its pharmaceutical business. The UK company would be prepared to spend more than £1bn to finance a suitable deal.

Mr David Friend, chief executive, said in an interview at ICI Pharmaceuticals headquarters in Cheshire that the business had been looking for a partner for some time and was continuing the search. But, contrary to some rumours, it was not in the final stages of negotiating a specific deal with one company.

"There is no strategic imperative for us to form an alliance with someone else but it is strategically desirable," Mr Friend said. "There is merit in us being larger – among the world's top 10." The takeover alert following Hanson's acquisition of a 2.8 per cent stake has not affected the strategy.

ICI has moved steadily up the league of pharmaceutical companies, classified by worldwide sales, from 27th place in 1980 to 17th last year. But it concedes that rapid organic growth is over for the time being.

"Our forecasts do envisage profits growth over the next five years but it will be in single figures," Mr Friend said. While ICI is large enough today to compete with pharmaceutical giants such as Merck and Glaxo, it may be too small for the more competitive global drugs industry of the later 1990s. Hence the search for a partner.

The ICI board is determined to keep control of the pharmaceuticals business, which contributed 47 per cent of the group's 1990 profits. At the same time, Mr Friend is not interested in the complicated sort of alliance agreed earlier this year between Sanofi of France and Sterling of the US, under which the two companies kept separate research operations but pooled their other activities in a series of joint ventures.

Continued on Page 22

Shortfall likely in funds to pay off UK depositors

By David Lascelles, Banking Editor

UK BANKS could face a pay-out amounting between £100m-£200m to rescue BCCI's 120,000 depositors.

Under the UK's Deposit Protection Fund, British banks ultimately bear the cost of compensating BCCI's depositors, even though it is not a UK bank.

Although it is too early to know exactly how large BCCI's losses will be, all the indications are that there will be a large shortfall in the funds needed to pay off depositors and creditors.

After the winding up in about a month, depositors will be compensated out of the fund which pays 75 per cent of deposits up to £20,000. According to the Bank of England, there are about 120,000 depositors with a total of £750m in the bank, or an average of £6,250, which is well below the pay-out ceiling.

The pay-out is likely to be the highest ever faced by UK banks and would put an enormous strain on the fund.

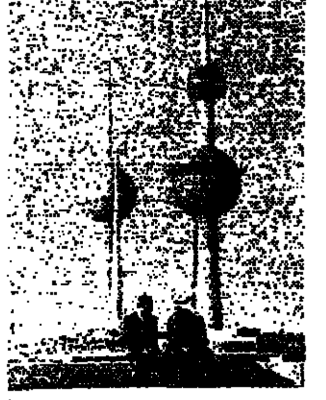
According to its latest annual report published in May, the fund is already in the red by £337,000, and it has gross liabilities totalling £32m for other failed banks, such as British & Commonwealth Merchant Bank.

Any shortfall can be made up from two sources. One is by borrowing in the market. This would then be repaid from recoveries as failed banks are liquidated. The other is by making a levy on other banks.

Mr Robin Leigh-Pemberton, the governor of the Bank of England which helps administer the fund, said that a levy was the most likely route, because it would spare the fund having to pay loan charges. Although he could not put a figure on the likely levy, he said the BCCI affair would put "a heavy call" on the fund.

The prospect of having to stump up large sums of money to meet the costs of a bank which is not even registered in the UK is bound to create anger and dismay among other UK banks. However, BCCI was licensed by the Bank of England to operate branches in this country and, as such, it qualifies for deposit protection.

The last time the other clearing banks had to pass the hat around – in the Johnson Matthey Bankers crisis in 1984 – many of them vowed never again. However, they all got their money back that time because Johnson Matthey was eventually sold at a profit.



REBUILDING KUWAIT

Firefighters are dousing the inferno of Kuwait's oilfields. Broken tanks, smashed cars and other scars of Kuwait's war have been cleared. Some foreign contractors have begun stripping, clearing and repairing damage caused by Iraq's occupation. Others are bidding for the millions of dollars worth of further contracts. But the ruling al-Sabah family has yet to chart a secure future for the new Kuwait. On Monday, the Financial Times publishes a comprehensive survey on the rebuilding of Kuwait.

MARKETS

STERLING
New York lunchtime:
$1.6167
London:
$1.616 (1.605)
DM2.9525 (2.94)
FFr10.0 (9.9625)
SFr2.545 (2.5425)
Y223.5 (224.0)
£ Index 89.8 (89.5)

GOLD
New York: Comex Aug
$371.6 (371.6)
London:
$370.25 (369.15)

N SEA OIL (Argus)
Brent Aug
$18.925 (+0.25)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.827
FFr6.1895
SFr1.575
Y138.3
London:
DM1.8265 (1.835)
FFr6.1875 (6.2225)
SFr1.575 (1.583)
Y138.35 (139.0)
$ Index 68.4 (68.7)
Tokyo close: Y139.23

US LUNCHTIME RATES
Fed Funds: $5\frac{11}{16}$%
3-mo Treasury Bills: 5.732%
Long Bond: $95\frac{1}{32}$
yield: 8.485%

STOCK INDICES
FT-SE 100:
2,484.7 (+14.3)
FT Ordinary:
1,911.8 (+7.1)
FT-A All-Share:
1,189.05 (+0.5%)

New York lunchtime:
DJ Ind. Av.
2,940.07 (+5.37)
S&P Comp
374.51 (+1.18)
Tokyo: Nikkei
22,898.4 (−237.27)

LONDON MONEY
3-month interbank:
$11\frac{5}{32}$% ($11\frac{3}{16}$)
Liffe long gilt future:
Sep$91\frac{23}{32}$ ($91\frac{5}{16}$)

CONTENTS

UK Stock Market Report 0836 430001; FOREX 0836 430003; Bullion 0836 430005; UK Company News 0836 430002. Calls charged at 34p/minute cheap rate, 45p/minute at all other times. To obtain a free Cityline Share or Unit Trust directory, ring (071)-925-2128.

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WORLDWIDE IMPLICATIONS

Global reach of 'auditor's nightmare'

By Richard Donkin

BEHIND the doors which slammed shut yesterday on the Bank of Credit and Commerce International, one of the world's most mysterious banks, could lie one of the great banking scandals of the century.

Courted by the rich and the powerful throughout east and west, its founder, Mr Agha Hasan Abedi, created an empire which stretched across 73 countries.

The bank, which had become an auditor's nightmare, was represented by some of the most influential Democrats in the US, and linked to former and existing prime ministers of scores of third world countries and to the most powerful and wealthy in the Middle East.

Last year it pleaded guilty to a money-laundering scheme masterminded in part by a BCCI officer named as the personal banker to General Manuel Noriega, Panama's deposed leader, who stands accused of drug running. More recently it has been accused of secretly controlling First American Bankshares, Washington's biggest bank.

The concept of BCCI was hatched at a meeting in Beirut in 1972 between Mr Abedi and several Arab oil sheikhs. Mr Abedi had a single ambition, to make BCCI the world's largest bank. He cultivated a number of the Gulf's wealthiest potentates during his time as head of the United Bank in Pakistan.

Building his first banking empire during the 1960s, the Lucknow-born Mr Abedi would organise hunting trips and camel races for his Arab friends. Occasionally more exotic distractions were provided. This was before the oil-boom days. The sheikhs did not forget him in his time of need.

BCCI was launched on a paid-in capital of $2.5m in 1972. Bank of America took 25 per cent of the inital equity, increasing its share to 30 per cent before divesting completely between 1979 and 1980.

Bank of America's motive had been to gain access to the Middle East market. This was BCCI's gain because it won instant street credibility. When Bank of America pulled out, partly because of concerns that it could not gain access to the books of all BCCI's operations, Mr Abedi's bank was already boasting assets of $20bn in more than 400 offices worldwide.

It grew rapidly throughout the 70s until it had a presence in 73 countries.

But it never obtained a full banking licence in the US. This did not matter much because for nearly 10 years it seems, BCCI was able secretly to control First American Bankshares.

A close relationship between the two banks had been recognised for many years, but it was only recently that federal investigators discovered that First American had been bought by two shell corporations using loans from BCCI which were then taken as collatoral.

Some big names associated with the Democratic Party have been embroiled in what has been a growing scandal in the US. Mr Clark Clifford, a Washington lawyer and defence secretary in the Johnson administration is the chairman of First American Bankshares. His president and right-hand man is Mr Robert Altman, a lawyer, but was perhaps better known in the US as the man who is married to Linda Carter of the Wonder Woman television series.

The US authorities took a long time to to wake up to BCCI. Some of the bank's officers had been prosecuted for laundering drug money as early as 1986 but it was not until the US customs staged an elaborate sting operation in October 1988 that BCCI's involvement in money laundering became widely known.

When British customs moved on the Leadenhall Street, London, headquarters of BCCI in 1988 they took away documents which showed that General Noriega had deposited funds at the bank.

What customs officers never found were two numbered accounts that General Noriega had also held in BCCI's Cannon Street Branch for many years.

One former manager of the bank claims that the Palestinian terrorist organisation headed by Abu Nidal also held an account at BCCI.

A confidential report completed in August 1989 for a large UK-based finance house raised the possibility that one of BCCI's branches laundered money raised by Palestinian groups.

The structure of BCCI was made deliberately complicated. While it was supported mainly by Arab shareholders it was registered in Luxembourg yet ran its worldwide operations from London. Its operations came under 66 national central banks, leading to a BCCI claim that it was the most regulated bank in the world.

In practice this meant that it was very difficult for any banking authority to build a complete picture of the bank.

In May 1988 the central banks of the four European countries where BCCI had its greatest presence , the UK, Luxembourg, Spain and Switzerland, formed a college of regulators which met periodically to discuss nothing but BCCI. Later the group was expanded to take in the Cayman Islands which, according to one of its former executives, was used by BCCI to park some of the funds it wanted to veil from the rest of the world.

One strange thing about Mr Abedi's leadership is that he always claimed that he had no personal holding in the bank.

Among the more visible shareholdings in the 1980s were those held by Sheikh Zayed and a 20 per cent stake that used to be held by the Bin Mahfouz family, probably the richest commoners in Saudi Arabia.

The Mahfouz originally bought a 22 per cent stake that had been held by Mr Gaith Pharaon, a US-based investor and broker who bought the National Bank of Georgia from Mr Bert Lance in 1978 and sold it to First American Bankshares in 1987. He also bought the Independence Bank in California, now believed to be another vehicle for BCCI.

Time and again during the 80s the bank leaned on its Arab benefactors for fresh capital. In 1985 Khalid Salem Bin Mahfouz agreed to underwrite a $150m loss on options. The group needed to resort to its reserves, however, to cover losses of $75m in 1984 and $55m in 1986.

The Mahfouz patience ran out in 1988/89 and the bank resorted to the goodwill of the al-Nahyan family, the richest and most powerful clan in the United Arab Emirates.

It was the long-standing relationship between Mr Abedi and Sheikh Zayed, the ruler of the United Arab Emirates, which had ensured the creation of the bank in the first place. Sheikh Zayed ploughed nearly $1bn into the bank in 1990 alone by taking up the Mahfouz shareholding, increasing his family stake to 77 per cent and injecting fresh capital.

The bank had losses of $498m in 1989 and was forced to make provisions of $600m for bad debt. The losses forced BCCI into a drastic restructuring programme but it found difficulty selling many of its bank premises and some of the operations it wanted to scale down. Its whole Colombian network went up for sale but could find no takers.

Faced with losses expected to be in the region of $450m in the accounts of 1990, already seven months late, BCCI was planning a radical rationalisation, one reason why the Bank of England and other regulating authorities may have thought it was time to move in.

The bank wanted to liquidate its existing operation and reform in three separate banking entities covering Europe, Asia and the Middle East. According to a source within bank it had reached a "very advanced stage" in negotiating with the Bank of England for UK incorporation. The Bank of England had other ideas.

Closed encounter: a customer is turned away at BCCI's Leadenhall branch

Key dates

1972 BCCI formed. First bank in the group was BCCI SA, incorporated in Luxembourg with paid-up capital of $2.5m.

1979/80 Bank of America divests itself of initial 30 per cent shareholding in BCCI.

1985 Bank loses $150m on options trading. Loss is underwritten by Khalid Salem Bin Mahfouz.

1987 The bank had achieved objective of global coverage with presence in 73 countries.

October 1988 nine BCCI officers arrested and charged with laundering $32m of drug money in Florida.

1990 BCCI pleads guilty in US to drug money laundering charges against its two main banking subsidiaries.

May 1990 BCCI announces losses for 1989 of $304m. Control of bank moves to Abu Dhabi and worldwide rationalisation programme begins.

October 1990 Agha Hasan Abedi resigns as president.

BANK OF ENGLAND STEPS IN

Co-ordinated swoop across 7 countries

By David Lascelles, Banking Editor

YESTERDAY'S descent on BCCI by banking supervisors was an unprecedented display of co-ordinated action by the authorities.

The simultaneous swoop in seven countries came only minutes after the Bank of England had obtained a provisional winding-up order on BCCI in the UK courts.

At the same time, more than 60 other countries where BCCI has smaller operations were notified, with the expectation that they would take whatever local action was appropriate.

Only minor branches of the BCCI empire were allowed to continue in business – such as Hong Kong, which is considered separate from the main group.

The investigation was prompted by evidence of suspected fraud, which came to the notice of Price Waterhouse, the auditors, preparing the bank's 1990 accounts at the beginning of this year.

It was passed to the Bank of England, which commissioned PW to write a full report. That was completed only last week. There was thus some satisfaction at the Bank yesterday at the speed with which it had acted.

The question that is certain to be asked is why the authorities did not act sooner.

BCCI has been a highly controversial bank for more than a decade, and last year's Florida drugs-money laundering case was only the latest of many scandals that have hit the group.

However Mr Leigh-Pemberton, governor of the Bank of England, said yesterday that the Bank had not had hard evidence of fraud to justify action in the UK until it received last week's report from Price Waterhouse.

"We have been keeping an eye on the bank for some time, and we have been well aware of the rumours going on about it.

However, we had no clear evidence under which we could act until this year," the governor said.

The Bank even drew comfort from last year's restructuring of BCCI, including the recapitalisation by Abu Dhabi and the bank's transfer of its headquarters to the Gulf emirate.

The governor said yesterday that BCCI's shareholders had "a good record of support for this bank".

Normally, a bank would have a clear country of operation and would be looked after by the local supervisor who could take brisk action to deal with any problems.

The situation was described as "amorphous" by the governor and one that had plagued the authorities for years.

BCCI's unique structure, with its headquarters in Abu Dhabi, its registration in Luxembourg and its main operations scattered around the globe, enabled it to evade close supervision.

Although BCCI's drug money connections had hit the headlines, it does not look as if yesterday's move was linked to that, or to the fact that General Noriega of Panama kept accounts at BCCI's branch in the Edgware Road in London.

Judging by Mr Leigh-Pemberton's comments, BCCI had managed to lose substantial sums of money on both its lending operations and its dealings in the money markets.

The bank then tried to conceal those losses with false accounting and other deceptive tricks over a long period, pointing to a wide-ranging fraud.

"The bank had not been successful for some years in both its lending and treasury operations," he said. "But the extent of the operations had been concealed."

The deception was carried out at the highest level within the bank, the governor said, and it was most unlikely that local staff in the UK knew what was going on. He declined to identify any of the bank officials suspected, saying this was a matter for the Serious Fraud Office, which is now conducting an investigation.

The demise of BCCI will be greeted with widespread relief in the banking world. The bank's secretiveness, its links with crime and unpredictable behaviour made it a constant source of risk and embarrassment to the rest of the banking industry.

For many bankers it was a surprise that it had existed so long.

Very few banks had close dealings with it, and few knowledgeable bankers would have permitted their banks to develop any large exposure to it.

THE ABU DHABI CONNECTION

Ill-starred attempt to avoid embarrassment

By Victor Mallet, Middle East Correspondent

IT IS not easy to see why a man as discreet as Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi and President of the United Arab Emirates, should want to become ever more closely associated with a scandal-ridden bank such as BCCI.

Yet Abu Dhabi last year increased its stake to 77 per cent by buying a 20 per cent holding from the Bin Mahfouz family of Saudi Arabia.

The emirate injected nearly $1bn (£620m) of new money (including $400m in cash) into the bank, and it did so after two BCCI subsidiaries had pleaded guilty to drug-money laundering charges in the US.

All Sheikh Zayed will get for his pains is a visit from the British ambassador to Abu Dhabi, who will politely seek the ruler's co-operation in winding up the bank's affairs.

The finances of the Gulf's ruling families are frequently indistinguishable from the those of the states, over which they preside, but this was not simply a case of a Gulf oil sheikh with more money than sense.

Abu Dhabi's decision to take a firm grip on BCCI was a belated and ill-fated attempt by Sheikh Zayed and his advisers to avoid the embarrassment that has now arrived in double measure.

They co-operated in recent months with the Federal Reserve's investigations into BCCI's US operations and into First American Bankshares (in which Sheikh Zayed and BCCI had stakes), and they formulated plans for rationalising BCCI's worldwide network.

The Abu Dhabi ruling family was involved in the bank from the start, taking a stake in it alongside the secretive Abu Dhabi Investment Authority and apparently using BCCI for its own banking needs.

Mr Agha Hassan Abedi, BCCI's founder, had gone out of his way to cultivate influential figures in the Middle East and around the world.

Even before the operational headquarters were moved to Abu Dhabi from London, BCCI was in many ways a Middle Eastern bank, providing remittance services for the hundreds of thousands of Asian migrant workers in the Gulf.

When BCCI was first tainted with scandal, Sheikh Zayed may have felt that the choice lay between abandoning the bank and cleaning it up, because regulatory authorities in other countries were clearly beginning to lose patience and seemed keen to hand responsibility to Abu Dhabi.

As Mr Jean-Nicholas Schaus of the Luxembourg Monetary Institute said last year: "When they go to Abu Dhabi, certainly the authorities will take care of this bank." Abu Dhabi had the money but not, it now is clear, the regulatory framework to do the job.

OTHER BANKS

Losses of $2bn are forecast

By Tracy Corrigan

THE FREEZING of BCCI's assets may have left other banks around the world exposed to losses of about $2bn (£1.25bn), according to estimates by the Bank of England yesterday.

"I do not believe that the interbank and market exposure is of a scale likely to cause difficulties," said Mr Robin Leigh-Pemberton, governor of the Bank of England.

Of the $2bn figure, about $750m is believed to be owed by BCCI's London operation, of which about $500m is due to banks. It is understood that Barclays, NatWest and Lloyds had little exposure through credit lines. One banker said that his bank's credit line had not been used for some time.

However, BCCI was active in the money markets and the foreign exchange market, and some foreign exchange trades were last night expected to fail as a result of the closure.

"Banks had become more cautious about how much business they would do, but BCCI was still pretty active. It will be surprising if there are not failed trades," one bank treasurer said.

Payments on Far Eastern or European transactions would probably have settled by the time BCCI was frozen, at 1pm BST, but there could be failed trades in dollar-denominated transactions, he added.

PROFILE: AGHA HASAN ABEDI

Mystic comes to end of the eternal bridge

By Richard Donkin

LUCKNOW-BORN Agha Hasan Abedi, BCCI's 68-year-old founder, is something of a poet and mystic as well as a banker. In one of his poems, published in the bank's 1984 annual report, he wrote: "We travel with the ever-changing procession of change. We travel on the eternal bridge of change. Above all, the instinct of the BCCI moves with the instinct of change."

That was the hallmark of BCCI which, right up to yesterday's raids, has existed in a state of flux. Mr Abedi had left the bank to return to his roots in Pakistan where he planned to start a new bank, already dubbed "The son of BCCI".

His first banking empire, United Bank of Pakistan, was nationalised by president Zulfikar Ali Bhutto in 1972. By then, though, Mr Abedi had built up a large enough coterie of Arab backers to take his ambitions on to a world stage with BCCI.

He also took with him a generation of disaffected Pakistani bankers to run the bank for him.

He is a man who commands great loyalty and admiration, from those around him, a man who has always courted the rich and the powerful. Among his UK acquaintances was Lord Callaghan, the former prime minister. Perhaps the best-known western leader to have been captured by the Abedi charm was former US President Jimmy Carter.

In the past three years he was rarely seen in the bank. Staff said he was too sick to work after undergoing a heart transplant operation in 1988.

The reality was that he retained an influential role in the bank up to March last year when the sale of a BCCI holding gave control of the bank to Sheikh Zayed bin Sultan Al-Nahyan. He resigned as president of BCCI in October last year. His dream of a Third World bank that would bridge the gap between western wealth and Third World poverty had been ruined.

EMPLOYEES ALSO VICTIMS

News leaves building deserted and staff bitter

By Neil Buckley

SHOCKED and bitter employees drifted out of BCCI's head office in London's Leadenhall Street yesterday carrying their personal possessions.

By mid-afternoon, the building was almost deserted. In the basement, the dealing room was silent as unattended printers spewed out reams of paper.

Karen Morgan, a secretary, said her department heard of the suspension of the bank's activities via a message at the top of their VDU screens.

"First of all, everybody was really quiet. Then people started crying and shouting. Some people had all their money in the bank."

Karen, 20, of Hornchurch, Essex, said most employees had accounts with BCCI, and those had been frozen along with the rest. She had just £50 in her account, but a friend had £800.

A few who managed to withdraw money before the cashiers were closed were asked to return it.

While some employees were told to return to work as normal on Monday, others gave their telephone numbers to their managers and were told to wait for further news. Most believed there would be no job to come back to.

An employee from the bank's trade finance department was processing a payment of £500,000 when transactions were suspended.

"I'm worried I won't get another job," he said.

"We've heard other banks won't even interview people who have worked here."

He had heard rumours that officials from the Bank of England had been in the building that morning.

"This place is built on rumours. Since I've been here it's been rumour after rumour. In the end you believe nothing until it happens."

"I blame the senior executives. I think this has been going on for years."

Leaving by the rear exit, another trade finance employee said: "We had known something like this might happen because of the way the company was run."

He had heard rumours only the day before that members of senior management had left the company.

Security guards at the front door said they had been told to tell customers simply that the bank was closed.

At BCCI's nearby Cannon Street branch, the heavy metal doors were locked and the electronic board that usually displays international exchange rates was dead. There was no sign of movement inside, and no explanation given of the sudden closure.

On the street outside, the owner of an import-export business said he had been arranging a transfer of $500,000 from Africa at 12.45pm.

When he came back after lunch at 2pm, the door was locked. A worried-looking official told him to come back in 15 minutes. He phoned the bank from a call-box, and was told to return at 3pm. By then, however, it was an empty shell.

Earlier, a man trying to cash a cheque sneaked in as an employee left, but was promptly escorted out.

"They didn't tell me what was happening," he said. "Now what the hell happens?"

US OPERATIONS SEIZED

Legacy of litigation and inquiries into affairs will run and run

By Martin Dickson in New York

THE SEIZURE of BCCI's remaining US operations brings down the curtain on one of the chief American banking scandals of the past decade – but it leaves a legacy of investigations and legal action into the bank's affairs that will carry on for a long time to come.

State banking departments in New York and California took control of BCCI's local agency offices yesterday as part of the concerted international action against the Luxembourg-based bank.

The move freezes the operations of the offices and allows state banking officials to oversee an orderly liquidation of their assets through payments to creditors. The New York bank's assets are estimated to total about $100m, while those in Los Angeles are put at about $136m.

The New York banking department said: "When a foreign bank is seized in that country, this kind of action is virtually mandated in New York. You can't take out the heart and leave the arms and legs behind."

The New York and Los Angeles operations are BCCI's last remaining direct US operations. It was forced to close a similar operation in Miami, Florida, when it pleaded guilty to money laundering there last year.

The New York and Los Angeles operations were due to close even before yesterday's international swoop. The US Federal Reserve Board, furious over disclosures that BCCI had secret control of the largest bank in Washington, DC – First American Bankshares – got BCCI to agree last March to cease all banking operations in the US.

At the same time, the Fed ordered BCCI to sell its stake in Credit & Commerce American Holdings, a Netherlands Antilles company through which BCCI held its shares in the Washington bank.

It was not clear yesterday how far those orders had been carried out. The Fed said yesterday's action against BCCI would not affect the operations of either First American Bankshares or Independence Bank, which were separately capitalised and would continue to conduct normal business. The Fed noted that it had had supervisory orders in place for some time, prohibiting transactions between those banks and BCCI.

However, investigations are expected to continue by the Fed and the US Justice Department into the circumstances surrounding BCCI's acquisition of its stake in First American Bankshares. First American has assets of $11bn and owns banks in New York, Virginia, Maryland, Tennessee, Georgia and Florida as well as in Washington, DC.

The murkiness of the affair is underlined by the fact that estimates of the stake held by BCCI vary widely, from 25 to 50 per cent. The size of the holding may, in effect, have made BCCI a US bank holding company - even though it never received Fed permission to assume such a status.

Particular attention focuses on the role played by Mr Clark Clifford, one of Washington's most eminent lawyers and political fixers, who has been a confidant of US presidents since the Second World War. He and Mr Robert Altman, a law partner, were hired in 1979 by a group of Arab investors seeking to buy the predecessor bank to First American - Financial General Bankshares.

After the Arabs acquired the bank, Mr Clifford was installed as chairman and Mr Altman as president. The Arab investors subsequently used loans from BCCI to acquire the bank and at some point some of those loans became non-performing. Since the credits were secured by the First American stock, the shares in the bank fell to BCCI.

The question facing investigators is at what stage BCCI decided to take control of a US banking chain. Mr Clifford and Mr Altman were also counsel in the US to BCCI until last year. Mr Altman helped to defend BCCI officers at the Florida money-laundering trial.

Both men have denied any knowledge of the BCCI stake in the bank.

Meanwhile, investigations are continuing into numerous other aspects of BCCI's US activities. The Manhattan district attorney is investigating money-laundering allegations, while the House Banking Committee says it has evidence of fund transfers between BCCI and the Atlanta branch of Banca Nazionale del Lavoro (BNL) - the bank involved in the Iraqi loans scandal.

In Florida a federal judge last month held the bank's Cayman Islands unit in contempt, and ordered it fined $50,000 a day, for failing to produce subpoenaed documents. A district judge in Miami has also ordered the bank to produce documents in a case brought by Lloyd's of London against BCCI and a Jordanian-born coffee merchant, involving accusations including insurance fraud.

While the bank may be dead, the scandals surrounding it still have plenty of life left in them.

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INTERNATIONAL NEWS

Unexpected fall in US employment

By Michael Prowse in Washington

US employment fell unexpectedly in June, the Labour Department reported yesterday. But the decline was not sufficient to reverse widespread confidence that a weak US economic recovery is under way.

Non-farm employment fell 50,000 to 108.8m, boosting the unemployment rate to 7 per cent, the highest in five years. This compares with 6.9 per cent in May and 5.3 per cent this time last year. Financial markets had been expecting an increase in jobs of about 50,000.

Yesterday's report, however, was encouraging in parts. May figures were revised to show an employment increase of 119,000 – more than double the original estimate. In June, the length of the average factory work week and overtime hours both increased for the second month running, strongly suggesting that the economy is continuing to strengthen.

Ms Janet Norwood, the head of the Bureau for Labour Statistics, said the June report indicated that "the labour market had stopped deteriorating". Employment had levelled off following big declines earlier in the year.

Jobs data are often volatile in the early stages of economic recovery. Employment declined in some of the early months of recovery following both the 1973-75 and 1981-82 recessions.

However, yesterday's figures, following a report of a fall in new homes sales in May, may renew doubts about the likely pace of economic recovery. Some analysts argue that the May upturn partly reflected distortions caused by unusually hot weather.

The consensus view is that real gross national output will grow languidly – at an annual rate of 2-3 per cent in coming quarters, or less than half the rate of expansion in typical post-war recoveries.

Employment in goods-producing industries fell 71,000 to 23.7m last month. Most of the decline was in manufacturing, where employment fell to its lowest level since the recession began last July. But service-sector employment rose modestly, partly because of the continuing buoyancy of the health care industry.

US wants backing for growth strategy

By Peter Riddell, US Editor, in Washington

THE US will seek international support for a comprehensive growth-oriented strategy at the summit of the heads of government of the Group of Seven countries in London in 10 days' time.

Mr Nicholas Brady, treasury secretary, first raised this issue 2½ months ago at the spring meeting of the International Monetary Fund, when it was widely seen as just a US appeal for lower interest rates and led to a clash with Germany.

But the US is now presenting its call for lower real interest rates (adjusted for inflation) as part of a wider strategy of what Mr Brady prefers to call low inflationary rather than non-inflationary growth.

Senior US officials, including Mr David Mulford, under-secretary for international affairs, will seek to produce a draft summit communiqué along these lines at a meeting of the sherpas, or leaders' personal representatives, this weekend.

In an interview in yesterday's New York Times, Mr Brady outlined his thinking on a three-pronged strategy to boost growth and assist economic reform in eastern Europe and the Soviet Union.

He talked of the need for a more dynamic monetary policy aimed at bringing down real interest rates; an international trade policy focused on the successful completion of the current Uruguay Round talks and on opening markets; and the elimination of structural rigidities hampering job creation and productivity growth.

Mr Brady believes other western governments are now coming round to accepting his views on the need for a growth-oriented strategy, as shown, for example, by this week's reduction in Japanese interest rates.

Japanese securities firms face tax bill

By Robert Thomson in Tokyo

JAPAN'S four leading securities houses were ordered yesterday to pay an extra Y9bn (£40m) in taxes and were told by the Ministry of Finance that they would no longer be allowed to run special discretionary accounts for favoured corporate clients.

Two local governments, Kobe and Nara, also registered their disgust at the leading brokers' compensation of favoured clients and their links to gangster groups by announcing a suspension of dealings with the Big Four – Nomura Securities, Daiwa Securities, Nikko Securities, and Yamaichi Securities.

The Tokyo Regional Taxation Bureau calculated that Y9bn was due from the brokers because they failed to declare a total of Y20bn in loss reimbursements made in the 2½ years to March 1990.

Bureau officials said the Y20bn should have been reported as "social expenses", as it was money spent to please clients.

Nomura was ordered to pay an additional Y4.05bn, Daiwa Y650m, Nikko Y2.12bn, and Yamaichi Y2.18bn. Taxation officers are still investigating the extent of compensation by the brokerages, which have been warned by the ministry that the practice must not be repeated.

Mr Hiroshi Yasuda, the vice-minister of finance, said that apart from banning the use of the discretionary accounts, known as "eigyo tokkin", the ministry would officially order the four brokers to overhaul their management structure and to impose penalties on managers responsible for the loss compensation.

The Kobe and Nara governments, in the west of Japan, said they would suspend indefinitely their use of the four securities houses, and rely on smaller brokers for fund management.

Kobe said the funds managed for it by the quartet last year totalled Y140bn, while Nara did not specify a figure.

Kobe officials said the four brokers "deserve punishment from society". The Kobe area has been the traditional home of Japan's largest gangster group, Yamaguchi-gumi, and the local government was angered by the news that affiliates of Nomura and Nikko had provided funds to gangsters.

Cyril Ramaphosa elected secretary-general of the African National Congress

Man who knows how to negotiate

By Patti Waldmeir in Durban

MR Cyril Ramaphosa, who was yesterday elected secretary-general of the African National Congress (ANC), knows when to fight and when to give in – and that makes him rare in the ranks of the ANC.

The soft-spoken 38-year-old, currently general secretary of the National Union of Mineworkers (NUM), is arguably the most able black politician in South Africa apart from Mr Nelson Mandela himself. Indeed, yesterday's election clearly identifies Mr Ramaphosa as a potential successor to the ANC president.

He has spent the past decade learning the skills of negotiation across the table from representatives of the mine employers. While many of his ANC colleagues were locked in the politics of struggle, Mr Ramaphosa was learning how to compromise from a position of strength.

His election demonstrates the ANC's desire to proceed urgently to talks on a post-apartheid constitution – as well as its dissatisfaction with the progress of negotiations so far. ANC leaders admit they have often let the initiative pass to their opponents, the Pretoria government; they hope Mr Ramaphosa, with his reputation for shrewdness and pragmatism, will put them back on the offensive.

Mr Ramaphosa's election ends a year-long period which he has spent in political exile, fighting the battles of miners faced with widespread gold-mine retrenchments, but keeping out of ANC politics. This was true of most of Mr Ramaphosa's generation of "internal" leaders of the anti-apartheid opposition – those who stayed to wage war in township streets rather than from exile. When the ANC was legalised 17 months ago, they were largely left out of its leadership.

But the NUM leader appears to have been singled out for special chastisement: tension arose between him and Mr Mandela, who was elected ANC president yesterday, over the issue of Mrs Winnie Mandela. In 1989, Mr Ramaphosa publicly protested against the behaviour of Mrs Mandela, who was recently convicted on four counts of kidnapping and being an accessory to assault. He has been paying the price ever since, though yesterday's election demonstrates his obvious popularity among ANC and union members.

Praise for Mr Ramaphosa comes not only from his obvious constituency – the miners, who have acquired a measure of dignity and control over their working lives as a result of the NUM's efforts – but from whites in business and government.

Corporate executives who show nothing but disdain for most ANC leaders admit the highest respect for Mr Ramaphosa, even though he is a socialist. (He is not openly a member of the South African Communist party, though many ANC leaders choose not to reveal this affiliation). White local government officials in Johannesburg, who have encountered him as a Soweto community leader, seem to hold the NUM leader in a sort of awe. Everyone comments on his charm, his toughness, and the obvious inner strength and exquisite politeness which he shares with Mr Mandela.

As a leading member of the Soweto People's Delegation, he helped negotiate an agreement to bring together black and white local authorities in the Johannesburg area into the so-called Central Witwatersrand Metropolitan Chamber, where a future non-racial local authority for Johannesburg is to be negotiated.

The agreement opened Mr Ramaphosa to attack from other leading anti-apartheid activists, who reject it because it includes black local councillors, ostracised for their collaboration with the Pretoria government which they represent. But the chamber has already won big benefits for Sowetans.

The Soweto deal demonstrates Mr Ramaphosa's pragmatism, as does the recent profit-related pay deal agreed at East Rand Goldfields. The NUM and the Chamber of Mines are understood to be close to agreement on a performance-related deal for the entire industry, an important concession which could prove a precedent for future deals. Mr Duncan Innes, a labour relations consultant, sums up his attitude this way: "If the other side is flexible, Cyril will not waste the opportunity."

At least as important, Mr Ramaphosa has a rapport with ordinary people which the patriarchs of the top ANC leadership lack. He lives in a flat at Jabulani, one of the most depressed Soweto suburbs; though he is a lawyer with no underground experience in the mines, he is widely popular in his own union. Mr Innes cites the recent summit on the future of the gold industry – which brought together unions, employers and government at the urging of Mr Ramaphosa – to argue that the new secretary general is a man of "stature and vision". The ANC could hardly have elected a better man.

Ramaphosa: reputation for shrewdness and pragmatism

Japan plans budget spending rise of 5%

By Emiko Terazono in Tokyo

THE Japanese government is planning a 5.2 per cent rise in spending for next year's budget to Y38,956.5bn (£173.9bn) including significant increases in official development aid (ODA), defence, public works, and pension-related spending.

A preliminary report of the expenditure budget for the year to March 1993 was approved by the cabinet yesterday. The proposals, which will be negotiated in coming months between the ministries involved, provided guidelines for fiscal spending which will be formally approved early next year.

ODA spending is planned to rise 9.8 per cent, after debates between the Finance Ministry and Foreign Ministry.

The Foreign Ministry had been demanding a double-digit increase, to achieve a Y50bn target in aid to developing countries.

The Finance Ministry, which had been urging that the quality rather than the quantity of aid be improved, agreed to a substantial increase ahead of the summit meetings.

Growth in defence spending is planned to be kept at a 30-year low of 5.38 per cent, thanks to the easing of international tensions.

Public works and other investment spending, targeted in bilateral trade talks with the US, are scheduled for a 5.1 per cent increase.

A special Y200bn allocation for public works, intended to help realise Japan's pledge to increase public investment over the next 10 years, was also set.

Current account surplus for May more than tripled

By Robert Thomson in Tokyo

JAPAN'S current account surplus in May more than tripled from a year earlier to $4.27bn (£2.66bn), prompting concern in Tokyo that trade friction with the EC and US will intensify in coming months.

The Ministry of Finance said exports rose 12.2 per cent from a year earlier and imports fell 1.5 per cent, contributing to a current account surplus for the first five months of $22.3bn, up 42.4 per cent on the same period last year. Seasonally adjusted, the surplus for the month was $5.86bn, down from $7.78bn in April. The ministry reported that the overall balance of payments, seasonally adjusted, showed a surplus of $645m, compared to a $773m deficit in April.

Finance Ministry officials have argued that "special factors", such as currency fluctuations and unusually low raw materials prices, were responsible for the rapidly expanding current account surplus. But there are now widespread fears that economic upturn in the US will lead to a higher surplus in coming months.

The ministry said Japanese investors sharply increased net purchases of foreign bonds during May to $10.01bn, from $2.93bn in April. This was the first month the $10bn barrier has been passed since December 1989, when the Tokyo stock market reached its peak.

Net purchases of foreign stocks were $993m, down from $1.37bn in April, while foreign net purchases of Japanese bonds were $2.16bn, up from $1.71bn, and net purchases of Japanese stocks were $437m, compared to $729m.

● Condominium sales in Tokyo for the first half of this year fell 35.1 per cent from a year earlier to a record low of 11,197 units, the Real Estate Economic Institute reported yesterday.

The fall highlights the instability in the property market, as the sales figure was lower than the record half-year low of 11,300 units in 1975, when the Japanese economy was suffering from the oil shock.

The ratio of condominiums contracted to be sold at the time of construction fell from 85.7 per cent in the same period last year to 56.8 per cent.

Clash over HK stock exchange

HONG KONG'S stock exchange and the Securities and Futures Commission, the colony's regulatory watchdog, moved closer to confrontation yesterday after the exchange refused to reform its governing council, writes Angus Foster in Hong Kong.

If the controversy is not solved quickly it could further undermine the status of the exchange, which has still not cast off doubts about its claims to be an international market following a four-day closure in the 1987 global crash.

The main aim of the reform package backed by the SFC and the government is to reduce the control of a small group of Chinese brokers by widening the membership of the exchange's governing council. The group has the support of many exchange members who are now inactive or trade infrequently.

The SFC has warned that, unless the reforms are introduced voluntarily, harder-hitting ones will be forced on the exchange using Hong Kong's securities rules. The SFC says there are "two to three weeks" left before it starts statutory proceedings to make the changes in time for the exchange's annual general meeting in December.

The package was voted down yesterday by 10 votes to 9, with one abstention and two absences. Some observers suspect the exchange is stalling to push for a softer reform package, although the SFC says it will make no more concessions.

The SFC is trying to avoid a clash because it has been accused of heavy-handed actions against small local brokers in favour of international houses.

A trader at the Hong Kong Stock Exchange yells a bid yesterday. The exchange rose 42 points to 3892.71 on news that the colony's new airport would go ahead

India averts default on debts

By K. K. Sharma in New Delhi

INDIA has avoided defaulting on its international obligations, according to Dr Manmohan Singh, minister of finance.

He said yesterday that "firm action on the part of the government had averted ... disaster".

The minister did not give any details on what arrangements had been made to repay foreign debt worth $600m (£375m) falling due in the next few weeks, but it is apparent that the government has received positive signals from the International Monetary Fund on further loans.

After a reassuring statement by the IMF on Thursday, talks started yesterday in New Delhi between an IMF team and Indian officials on further assistance. India has already drawn $1.8bn this year, including $1bn from the compensatory financing facility, and is seeking an additional long-term $5bn-$7bn loan.

Dr Singh also spoke of "bold and rational measures", including big structural reforms, that the government would take to ensure that "India is not marginalised in the world".

Some, including devaluation of the rupee, deregulation of trade and a rise in interest rates, were announced earlier this week.

The next steps include a budget that will sharply reduce the fiscal deficit and a new industrial policy to ease restrictions on foreign investment.

Poland misses interest payment

By Richard Waters

POLAND this week missed a $100m (£62.5m) interest payment to its foreign bank creditors, the first payment due since the latest round of talks began on rescheduling its medium-term debt in late 1989.

Senior Finance Ministry officials said the payment had been delayed for technical reasons and would be made early next week. However, bank creditors remained concerned about Poland's commitment to make the overdue interest payment, which had been due last Monday.

Failure to make the payment could lead to a break-down in rescheduling talks, which until recently had appeared to be proceeding smoothly.

The country's 500 bank creditors had indicated that they were prepared to proceed with a debt reduction package provided agreement was reached on $1.3bn of overdue interest. Mr Jeff Stokley of Barclays Bank, which chairs the creditors' committee, said Poland had agreed to pay $100m of this unconditionally.

NEWS IN BRIEF

Bundesrat elects to stay behind in Bonn

BONN, which lost out to Berlin as united Germany's seat of government, was handed the consolation prize yesterday when the upper house of parliament voted to stay there for the time being, Reuter reports from Bonn.

The Bundesrat – representatives of Germany's 16 states – voted 38-30 in favour of remaining in the quiet Rhineside town.

The lower house, or Bundestag, voted on June 20 to move itself and the government to Berlin by the end of the century.

Kashmir PM arrested

The government of Pakistan-held Kashmir yesterday dismissed its prime minister and arrested him, the state-run news agency said, Reuter reports from Islamabad. Kashmir President Sardar Abdul Qayyum said Mr Mumtaz Rathore's outbursts since his party's overwhelming defeat in legislative elections last week could damage Pakistan's stand on the issue of divided Kashmir.

Brussels probes CD claims

The European Commission said yesterday it was investigating charges by EC producers that anti-dumping duties imposed last year on Japanese and South Korean compact disc players had been absorbed by the exporters, Reuter reports from Brussels.

Sweden weighs EC costs

Sweden is expected to contribute SKr14.6bn (£1.4bn) at current prices to the annual European Community budget, according to a government paper on the effects of Swedish membership, published yesterday, John Burton writes from Stockholm.

The document, presented four days after Sweden formally applied for EC membership, said Sweden would be a net contributor to the EC budget, but would receive some support from the EC's agricultural and regional development funds.

$6bn US order for Airbus

Airbus Industrie, the European aircraft consortium, yesterday announced orders for up to 75 wide-bodied A300-600 freighter aircraft worth about $6bn from Federal Express, the US cargo carrier, Paul Betts, Aerospace Correspondent, writes.

Manila cabinet chief resigns

Mr Oscar Orbos, Philippines' cabinet chief, resigned yesterday after differences between Mr Orbos and Mr Jesus Estanislao, the finance secretary, over the country's IMF economic stabilisation programme, Greg Hutchinson reports from Manila.

Lebanese army advances

The Lebanese army occupied the last PLO guerrilla positions in south Lebanon yesterday, advancing to the edge of Palestinian refugee camps and ending 20 years of PLO gun-rule in the area, Reuter reports from Beirut.

Gorbachev gives warm welcome to German chancellor

SOVIET President Mikhail Gorbachev warmly welcomed German Chancellor Helmut Kohl in Kiev yesterday where the two heads of state met to discuss the Soviet Union's quest for assistance from the west, reports Chrystia Freeland in Kiev.

After two hours of talks, Mr Gorbachev and Mr Kohl went for a brief walk in the park at Mezhigorye.

Mr Gorbachev requested the meeting as part of a campaign to win western financial support. He is due to press his case to the heads of the seven leading industrialised nations at a G7 summit which begins on July 15. However, the Soviet leader has been warned not to count on substantial aid from the leaders.

Without significant western help, the Soviet Union contends that it will be impossible to implement the market and privatisation reforms prescribed as the only cure for the USSR's economy.

The Kiev meeting was not expected to test Mr Gorbachev's powers of persuasion. Germany, eager to negotiate a rapid withdrawal of Soviet forces from its eastern länder and with a strong geographical interest in political stability in the USSR, has acted as the Kremlin's advocate, urging more reluctant countries to assist the Soviet Union.

Mr Kohl, whose treasury is already feeling the pinch of reforming one socialist economy, is unlikely unilaterally to pledge support, and is expected to do some pleading of his own with Mr Gorbachev.

The chancellor was expected to outline the steps Mr Gorbachev needed to take to to secure Western financial aid.

● Political stability in the USSR;

● Assurances that the Soviet leadership, which has a history of announcing and then renouncing or ignoring ambitious economic reform programmes, was committed to its plan and capable of carrying it out;

● Proof that the Kremlin was in control of the Soviet Union.

Clearing the third hurdle poses particular difficulties for Mr Gorbachev, as the Ukrainian venue of the meeting made clear. Last week, the Ukrainian parliament postponed discussion of the Union Treaty until September, thus foiling Mr Gorbachev's plan to have the document signed in time for the G7 summit.

Moreover, there is every indication that, come autumn, Ukrainian parliamentarians will reject the current version of the Union Treaty, demanding instead an arrangement which denies the central government powers of direct taxation, gives the Ukraine complete control over its economy, including the right to establish a separate currency, an independent foreign policy and an internal army.

The Ukraine's increasingly vocal insistence on economic independence also calls into question the Kremlin's ability to implement an economic reform package.

Mr Vitold Fokin, the Ukrainian prime minister, yesterday sent a hostile letter to Mr Valentin Pavlov, Soviet prime minister, rejecting the latter's all-union privatisation plan.

The letter argued that "according to the legislation of the Ukraine, the de-nationalisation and privatisation of all enterprises and organisations on the territory of the republic exclusively come under the competence of the state authorities of the Ukraine."

Opposition groups held protests in what is officially called "October Revolution Square" in central Kiev but has been popularly renamed "Independence Square".

Some 3,000 nationalists gathered in Kiev's main square to hear speeches saying Mr Gorbachev did not represent the Ukraine and to wave banners in Russian, Ukrainian, German and English.

Safely ensconced in the 10th century monastery 30km outside Kiev, Mr Kohl and Mr Gorbachev were unlikely to hear the crowd or meet opposition parliamentarians who delivered a letter of protest to the German consulate in Kiev.

INTERNATIONAL NEWS

Germany predicts fall in government borrowing needs

By Quentin Peel in Bonn

THE German government's borrowing requirement, above all to finance spending in the regions of the former East Germany, will fall next year to just DM50bn (£17bn), compared with DM66.4bn this year, thanks to the current battery of tax increases, the Finance Ministry forecast yesterday.

Thereafter, the steady reduction in state subsidies in all sectors, and the increase in value added tax from 1993, should reduce the borrowing requirement to DM25bn by 1995. That is the central and relatively optimistic forecast submitted by Mr Theo Waigel, finance minister, to the cabinet yesterday.

The total budget for 1992 for the unified Germany is put at DM422.4bn, an increase of 3 per cent on the combined spending this year. Of that, the former East German territories will get DM109bn, compared with DM93bn this year.

The draft budget was submitted to the cabinet yesterday as the latest German trade figures showed that the surge in imports to supply the east, and the relative stagnation of exports, led to a further deterioration in the current account for May.

Visible trade was in deficit for the second month running, with an import surplus of DM800m, compared with DM1.4bn in April. Although visible imports increased only 0.3 per cent over April, to DM55.4bn, they are up 19 per cent compared with May 1990, when they totalled DM46.7bn. In contrast, exports were down 7.4 per cent over the year, from DM59bn to DM54.7bn.

The deficit on the current account (including transfers and services) worsened sharply, according to preliminary Bundesbank estimates, from DM2.6bn in April to DM4bn in May. From January to May, the visible trade was still slightly in surplus, but the current account deficit totalled DM15.9bn.

Mr Waigel's rather more optimistic budget forecast is based on an assumption that the progressive dismantling of state subsidies of some DM10bn per annum, as demanded by Mr Jürgen Möllemann, economics minister, will be approved by the cabinet next week.

Brittan rebuffs car makers on subsidies

By Andrew Hill in Brussels

SIR Leon Brittan, the EC competition commissioner, yesterday struck back at EC car manufacturers' calls for special protection from Brussels, arguing that the Commission should "give no ground at all to powerful interest groups when it comes to certain fundamental principles".

Speaking to a Westminster audience, he said the pressure for aid was building up from all sectors of European industry as the single market came closer, but the car industry in particular was "crying out for special treatment".

His speech follows last month's plea from Acea, representing 15 European vehicle groups, for financial help as the industry prepares for competition with Japanese producers.

Sir Leon repeated three fundamental principles which had to be upheld:

- "Cars produced in Europe, by European workers, are European".
- "Rapid transition to a fully open market" is the EC's goal.
- The Community should remain "level-headed" when threatened with the possibility of heavy job losses.

EC pursues delicate balancing act of support for Yugoslavia

By David Buchan and Ronald van de Krol in The Hague

EC FOREIGN ministers meeting in The Hague yesterday made it clear that the Community was "not on the side of Belgrade, but of Yugoslavia" in the words of Mr Hans van den Broek, the Netherlands foreign minister.

Hans van den Broek: not on the side of Belgrade

It was a delicate balancing act. Mr van den Broek spelled out that "in asking for a suspension of the implementation of the declarations [by Slovenia and Croatia] of independence, the EC means a return to the position of June 25". Only after that date did Slovene paramilitary forces start to enforce the independence declaration by displacing federal police and customs officers along the republic's borders.

Mr van den Broek, who as president of the EC Council of Ministers will lead the third troika mission in a week to Yugoslavia, gave two reasons why the Community was pursuing its policy of supporting Yugoslavia, and not any one side in the conflict.

First, the EC was urging the federal presidency – whose head, Mr Stipe Mesic, was able to assume office last week after EC intervention – to exert full "political and constitutional control over the Yugoslav People's Army".

Second, while much of the federal governments' ultimatum to Slovenia was "in line with the EC proposals", Mr van den Broek said, "without any doubt, the deadlines [in Belgrade's ultimatum] will have to be extended."

The moves to suspend Ecu857m (£600m) of outstanding EC financial aid to Yugoslavia, to cut off all arms sales to Belgrade and the republics and to appeal to other states to do the same, won quick approval from the Twelve.

In contrast, deep divisions were revealed over whether, and how, to brandish the weapon of diplomatic recognition of Slovenia and Croatia over Belgrade's head. Mr Hans-Dietrich Genscher, the German foreign minister, said he would have liked a clear reference to the diplomatic threat in yesterday's EC communiqué, and would push hard for it once more, if the Yugoslav army started shooting again.

Virtually all other states were more exercised about the consequences elsewhere in eastern Europe of seeming to back secession in Yugoslavia. Denmark alone appears to champion both Balkan and Baltic self-determination.

Leading the opposition to early recognition was Mr Roland Dumas, the French foreign minister, who warned of the need to avoid Yugoslav republics becoming "too openly under foreign influence".

He clearly had Austria in mind.

CSCE crisis-management mechanism scrapes through

Robert Mauthner reports on the long wait that marked the first test of Europe's new emergency response system

EUROPE'S new emergency crisis-management mechanism barely passed its first test, early yesterday morning, at a meeting of senior officials from 35 countries that frequently threatened to descend into pure farce.

Much of the 16 hours of talks during the second day of the Conference on Security and Co-operation in Europe meeting, which ended just before 3am on Friday, was spent waiting for the phone to ring from Belgrade. It was there that the federal and military Yugoslav authorities were trying to agree on a reply to the CSCE offers to send "good offices" and observer missions to Yugoslavia.

As a result of the Yugoslavs' sensitivities about the precarious military and political situation in their country, several of the CSCE's original proposals were rejected by Belgrade. The word "observers" was finally dropped from the text backing the European Community's intention to organise a mission to Yugoslavia.

It was nevertheless made clear that such a mission would be sent "to help stabilise a cease-fire" and to monitor the return of troops to their barracks. The CSCE's other offer, to send a "good offices" mission to facilitate a political dialogue among the parties concerned in Yugoslavia, was shorn of one of its essential elements as the result of Yugoslav objections.

The federal authorities refused to accept a phrase which said one of the tasks of the "good offices" mission would be "the establishment of a new constitutional order" in Yugoslavia. The implied threat to the unitary state was clearly too much for the federal and military authorities in Belgrade to swallow at this delicate juncture in their relations with the two breakaway republics of Slovenia and Croatia.

The Soviet Union, though adopting a generally constructive attitude, also found it difficult to endorse a text permitting an international "good offices" mission to intervene in the internal political disputes of a member nation.

It finally did so. But, with an eye on its own troubles with the Baltic and other Soviet republics, Moscow insisted on making a unilateral declaration that such a procedure should not be considered a precedent. In other words, what may be all right for Yugoslavia, is not necessarily acceptable for the Soviet Union.

The talks underlined the shortcomings of the CSCE, which can be paralysed by the veto of a single member country. The rule that all decisions must be taken by consensus and that the 1975 Helsinki agreement principle of non-intervention in the internal affairs of member states can be invoked at any time, have been shown to be serious obstacles to effective decision-making and the adoption of practical measures.

The final text on the "good offices" mission still left doubt about its acceptability to Yugoslavia. "If and when accepted by Yugoslavia", it said, though the Yugoslav delegate at the meeting had apparently signalled his oral approval after hours of telephone conversations with Belgrade.

However, the most significant indication of the relative impotence of the CSCE was the frank recognition in the final texts of the European Community's leading role as a mediator in the Yugoslav crisis.

The EC acted much more quickly and flexibly than the CSCE in sending its "troika" of foreign ministers to Yugoslavia after Slovenia and Croatia had declared themselves independent.

Moreover, its plan for defusing the crisis – acceptance of a cease-fire, return of troops to their barracks, restoration of constitutional rules for the rotation of the presidency and suspension for three months of the implementation of independence declarations – formed the basis of all the CSCE's proposals.

The CSCE can derive some satisfaction from the fact that its emergency crisis-management mechanism, adopted in Berlin amid much self-congratulation only two weeks ago, has at least functioned, if belatedly. But, to the extent that international mediation can help to solve Yugoslavia's internal crisis, it is the EC that will be at the sharp end.

UK NEWS

Fiat cuts prices as car war intensifies

By Kevin Done, Motor Industry Correspondent

FIAT, THE Italian car maker, yesterday joined the growing price war in the UK new car market with cuts ranging from £500 to £2,000 on selected models across its range.

Fiat is the fourth car maker to announce price cuts: Nissan UK, Ford and Vauxhall have already acted. The four marques together accounted for 47 per cent of the UK new car market in the first six months of the year.

Like Ford and Nissan UK, Fiat Auto (UK) has chosen to cut the list prices of selected models. Some Tempra saloons are to be reduced by £1,100, with cuts of £1,000 on some Tipo and Uno models, and up to £500 on versions of the Panda. The biggest cut – £2,000 – has been made on stocks of some old models of the Fiat Croma executive car.

The company's share of the British market has shrunk to only 2.1 per cent in the first six months, reflecting a 40.3 per cent drop in sales volume. The UK is one of the Italian car maker's weakest markets in Europe.

Fiat Auto (UK) said it was funding the price cuts itself and dealer margins would remain unchanged. Existing cheap-finance deals, including zero-rate finance for the cheapest versions of the Panda, Uno and Tipo models would also remain in place. While Ford, Nissan and Fiat have chosen to cut list prices of some models, Vauxhall has announced various marketing measures, including "cash-back" offers of up to £1,500 on selected models.

The car price war has developed in response to the continuing deep recession in the UK new car market, where total new car sales fell by 24.8 per cent in the first half of 1991 after a drop of 12.7 per cent in the whole of last year.

Car producers are seeking desperately to stimulate demand in the all-important month of August, which traditionally accounts for more than a fifth of all UK new car sales because the registration prefix changes.

Large discounts of between 10 per cent and 15 per cent have been increasingly available for negotiation with dealers by car buyers in recent months as the recession has deepened, and that margin for bargaining remains in the wake of the price cuts.

The amount of financial support offered to dealers by car makers in order to sell old stock had already led to offers whereby buyers of some Ford Granada or Sierra Cosworth models – at full price – could acquire a Fiesta free.

Lords refuse Guinness challenge

By Raymond Hughes, Law Courts Correspondent

MR ROGER SEELIG and Lord Spens, the two former merchant bankers who are defendants in the second trial arising out of the Guinness affair, have been refused leave by the Law Lords to challenge in the House of Lords a ruling they claim will stop them getting a fair trial.

As a result, the trial, which was originally scheduled to start last February but was repeatedly postponed, is likely to begin on September 23.

Mr Seelig is a former corporate finance director at Morgan Grenfell and Lord Spens a former director of corporate finance at Henry Ansbacher.

The two men are charged with conspiracy and false accounting in relation to the share support operation mounted by Guinness during its lengthy takeover battle for Distillers, the Scottish drinks group, during 1986.

Mr Seelig and Lord Spens challenged a ruling by Mr Justice Henry, the trial judge, that evidence they gave to inspectors from the Department of Trade and Industry could be used by the Serious Fraud Office at the trial.

Tony Andrews

No access to the upper chamber: Roger Seelig, former Morgan Grenfell finance director

They argued that the inspectors should have cautioned them against self-incrimination, and that the failure to do so made it unfair for their evidence to be used at the trial.

The Court of Appeal rejected an appeal against the ruling but agreed that the issue raised questions of law of general public importance meriting the Law Lords' consideration.

Yesterday, however, the Law Lords' appeals committee, which is used to vet applications for leave to appeal, informed Mr Seelig and Lord Spens that their petitions for appeal against the ruling had been unsuccessful.

Botnar complains of Revenue methods

By John Griffiths

MR OCTAV BOTNAR, chairman of Nissan UK, yesterday identified three areas of investigation into the company's affairs being pursued by the Inland Revenue, which he accused of using "Gestapo" tactics in its raid on the company last week.

The dawn raid, the largest search the Inland Revenue has ever undertaken, concentrated on 13 locations in Worthing, where the Nissan UK headquarters is located, and other areas of Sussex, Surrey, London and Portsmouth.

Mr Botnar said that subsequently the Revenue had "slammed down the shutters" on requests for information about the investigations from Nissan UK and its lawyers.

He believed the Revenue was inquiring, in particular, into:

- The foreign ownership structure of Nissan UK and its associate dealer company, Automotive Financial Group Holdings.
- Nissan UK's financial involvement in the shipping of cars from Japan, as well as their sale in the UK.
- The tax relief on stock appreciation claimed by Nissan UK until that form of tax allowance was dismantled in the mid 1980s.

As chairman and managing director of Nissan UK (Holdings) and AFG (Holdings), Mr Botnar controls companies with a combined pre-tax profit in 1989-90 of £142.6m on a turnover of £1.76bn. Majority ownership of Nissan UK is held by European Motor Vehicles Corporation, registered in Panama, with 71.5 per cent. A stake of the same size in AFGH is held by GF International Finance and Investments, registered in the Bahamas.

Both Nissan UK and AFGH are controlled by trustees of a trust set up by Mr Botnar in 1974, and which according to Mr Botnar cedes to him full power of the groups' affairs "for life".

Mr Botnar, who was confronted in his dressing gown by a dozen Inland Revenue officers at his Worthing home, has grown increasingly critical of the methods used in the simultaneous raids, and questioned why TV crews and other media were on the scene soon afterwards. "These are the methods of the Gestapo or the KGB."

Tecs to strengthen liaison group

A MAJORITY of the 82 employer-led Training and Enterprise Councils (Tecs) have agreed to strengthen the operations of G10, the group of 10 Tec chairmen which liaises with Mr Michael Howard, the employment secretary, Lisa Wood writes.

The decision was made at a conference of Tec chairmen and chief executives in Birmingham this week, called to discuss the progress of Tecs and their prospects of improving skills in Britain.

Mr Eric Dancer, G10 chairman, said that a majority of Tecs had agreed that G10 would be put on a more formal basis with a small full-time secretariat. Only a small number of Tecs have said they will not participate and contribute towards the secretariat.

Mr Paul Fryer, chief executive of Humberside Tec, which opposed the move, said: "We have a contract with the secretary of state for employment and we want a direct route to him."

Recovery hope

THE economy may have reached the lowest point in the recession, according to a set of cyclical economic indicators published yesterday by the government.

The longer leading indicator rose in April to 98.6, from 97.4 in March, suggesting that activity may have bottomed and that a mild recovery can be expected soon.

Housing fall

CONSTRUCTION started in May on 13,700 new homes in Britain, a fall of 1,000 compared with May last year, according to provisional estimates. Completions were 14,300, compared with 14,700 in May last year.

Bank staff ballot

STAFF AT the Co-operative Bank are to be balloted on industrial action after talks yesterday at Acas, the conciliation service, failed to resolve a disagreement over a pay freeze.

Members of Bifu, the banking union, will be asked to support an overtime ban and a halt to replenishing automatic cash dispensers. The union wants a 5.8 per cent pay rise from last April 1, the anniversary of the last pay settlement.

The bank has indicated that it will consider a salary review from October 1.

Smoke alarm bill

A PRIVATE MEMBER'S bill requiring all new homes to be fitted with smoke detectors completed its passage through the Commons yesterday and now awaits Royal Assent.

THE BARLOW CLOWES TRIAL

'Unprecedented' shredding of documents alleged

By Raymond Hughes, Law Courts Correspondent

WHEN THE net began to close in on the Barlow Clowes fund management empire at the end of 1987, documents were shredded "on an unprecedented scale", the prosecution alleged yesterday.

Mr Alan Suckling QC said Mr Peter Clowes had known that Department of Trade and Industry inspectors investigating his UK business were likely to find there were not enough gilt stocks to repay clients and that some holdings had been transferred offshore.

He had therefore had files doctored to remove traces of transfers offshore and stolen £16m of offshore clients' funds to plug gaps. He had also ordered bogus letters to be placed on files to say that accounts had been closed and clients repaid their investments, Mr Suckling alleged.

Mr Clowes, Mr Guy Cramer, Dr Peter Naylor and Mr Christopher Newman are accused of stealing £16.9m from investors in offshore funds. Mr Clowes, Dr Naylor and Mr Cramer are also jointly charged with conspiring to contravene section 13(1) of the Prevention of Fraud (Investments) Act, which deals with false statements made to induce people to invest. Mr Clowes alone is accused of eight offences under the subsection. They deny all the charges.

Mr Suckling said there were bound to have been inquiries from tax and other advisers as to how the gilts investment scheme worked. Some Barlow Clowes employees inevitably queried transfers of funds from client accounts which did not seem to have anything to do with purchases of gilts.

"You might have expected any competent audit of the offshore funds to reveal if any gilts had been bought."

He said Mr Clowes had fended off awkward inquiries by using a screen of dishonest stories and delaying tactics.

"He was helped by the reactions of those who strayed dangerously near to discovering the truth. There seems to have been a reluctance in some of them to believe that a fraud of this nature and scale could have been perpetrated.

"There seems to have been some concern not to affect the position of investors by rocking the boat unnecessarily.

"Some of his [Mr Clowes'] employees may have been concerned about losing their jobs, which were well paid.

"The vigilance or tenacity of the auditors at a later stage may be thought to have fallen below that which might have been expected of them," Mr Suckling said.

The trial continues on Monday.

THE BLUE ARROW TRIAL

Responsibility lay with County, court told

By John Mason

RESPONSIBILITY for any mistakes made over the 1987 Blue Arrow rights issue lay with County NatWest, not the parent bank, Lord Boardman, the former NatWest chairman, told the Blue Arrow trial yesterday.

Lord Boardman, a prosecution witness, denied that any attempt had been made within NatWest to conceal anything or protect any one part of the group rather than another.

He was responding to a suggestion from Mr Jeremy Roberts QC, for Mr Jonathan Cohen, a former County chief executive, that at the top level of the parent bank there had been a desire to limit any damage from the affair to County rather than to NatWest itself.

He told the court: "I do not believe that other executives in NatWest were responsible for those events or mistakes, whatever they were." When, in late November, County gave him his first detailed account of the transaction, he was not told the facts as they were now known, he said.

Lord Boardman denied a suggestion from Mr Roberts that the trauma of the affair had caused him to develop a mental block that prevented his acknowledging that anyone in the parent bank had known anything that might leave them open to criticism.

County NatWest, NatWest Investment Bank, UBS Phillips & Drew and seven individuals deny conspiring to mislead the markets over the result of the £837m issue by secretly buying parcels of shares in the company.

Lord Boardman accepted that he had probably been told by NatWest's senior management in October of the split of shares taken by County and UBS. He told Mr Roy Amlot QC, for Mr Alan Keat, a solicitor who advised County, that he had not been told of the indemnity given to UBS against any losses.

Lord Boardman said he would have expected the senior NatWest management to give him all relevant information. "If they did not do so, I would have criticised them severely," he told Mr Anthony Hooper QC, for Mr David Reed, a former County director.

The trial continues on Tuesday.

Parties take lessons from Walton

By David Butler

THE WALTON by-election result says less about the next general election than any other recent by-election, but there are some lessons to be learnt.

Until Thursday, 4.5 per cent was the lowest share of the vote any official Conservative candidate had ever won in Britain (at Bethnal Green in 1950). The 2.9 per cent won by Mr Berkeley Greenwood indicates that voters in once-Conservative Liverpool have learnt to vote tactically.

The Kinnockite triumph over Militant (by a ratio of 8-1) in the hard left's staunchest territory must encourage Labour in its anxious quest for a solid middle-of-the-road image. It must also help in the regeneration of the city of Liverpool.

The 36 per cent of the poll captured by the Liberal Democrats confirms the party's skill in doing better than their opinion poll standing suggests.

AVERAGE OF NATIONAL POLLS THIS YEAR

	Con %	Lab %	Lib.Dem %	Con lead %
(Oct 90)	(34)	(47)	(14)	(-13)
Jan 91	45	42	9	+3
Feb	45	41	10	+4
Mar	43	39	15	+4
Apr	41	41	14	0
May	37	42	17	-5
June 1-15	35	44	17	-9
June 15	38	41	16	-3

Even so, for serious guidance as to the public's mood today – at most 11 months from the next general election – we have to turn to the opinion polls.

Conservatives seized eagerly on their upsurge from last month in yesterday's Gallup poll (which still left them 3.5 per cent behind Labour) to discount their Liverpool humiliation.

The message of the polls is nevertheless confusing.

For six weeks in May and June, Labour appeared to have a winning lead, while its actual support fluctuated by only 3 per cent. Tory fortunes were more unstable.

It is easy to speculate that while the health service was in the headlines at the local elections and in the Monmouth by-election, the Conservatives were at a disadvantage, but that their counter-attack on the tax implications of Labour's public-expenditure promises had some impact. It is even possible that, in spite of the Heath-Thatcher conflict, the issue of Europe is one that helps the Conservatives.

Additionally, the national focus on Liverpool and its internal difficulties during the Walton contest may have moved opinion towards the Conservatives.

The electorate is volatile. Manypeople appear ready to change their vote and events over the next nine months will alter their perceptions of the competence of the rival leaders and of the prospects for the economy.

The public plainly has no entrenched confidence in either side, leaving the politicians and their media men all to play for.

Complaint over Lautro rejected by High Court

By Raymond Hughes, Law Courts Correspondent

A CITY self-regulatory organisation taking urgent action to protect investors is not obliged to hear representations from those who might suffer, the High Court ruled yesterday.

It rejected a complaint that Lautro – the Life Assurance and Unit Trust Regulatory Organisation – violated natural justice when it made a decision that had the effect of putting an investment company out of business.

The court also ruled that a right of appeal under Lautro rules was limited to the recipient of a notice served under the SRO's intervention powers and did not cover anyone else affected by the notice.

Last October, Lautro served an intervention notice ordering Norwich Union Life Assurance Society to stop taking business from Winchester Group.

The court was told that the order destroyed Winchester because under the financial services regulatory system it could not place business with another life company.

Mr David Ross, a Winchester director and shareholder, asked the court to quash the order. He contended that Lautro had breached the rules of natural justice by not giving Winchester the chance to answer allegations against it before making the order.

He also claimed that under Lautro rules Winchester had a right of appeal, which it had been denied.

Lord Justice Mann said the intervention notice referred to "serious deficiencies in Norwich Union's internal systems for monitoring the performance of Winchester."

The notice had included allegations that Winchester representatives had persuaded investors to cancel their existing insurance policies and switch to Norwich Union; engaged in "other undesirable selling practices"; and appeared to have diverted clients' money into their own bank accounts.

Reference was also made to apparent connections between Winchester and two men arrested for fraud.

The judge said Winchester, which had unquestionably been damaged by the order, contended that the allegations were unfounded and that some of the material on which they were based was inaccurate.

Lautro accepted that some of the material was mistaken and that there might be qualifications to some allegations, he said.

Mr Andrew Collins QC, for Mr Ross, had argued that Lautro, operating in the public domain in the public interest, had a duty to act fairly, and that involved allowing people to answer allegations made against them. Lord Justice Mann, who noted that Lautro's rules appeared deliberately to omit any requirement to invite representations,said Mr Collins' contention ran counter to an important policy consideration.

"If the law is to imply an obligation to hear representations, then it must also specify with precision to whom that obligation is owed. If persons beyond the subject of the decision are included, then specificity becomes impossible."

A shy tycoon sails into the spotlight

Vanessa Houlder talks to Peter de Savary after his withdrawal from the America's Cup

THE DECISION of Mr Peter de Savary to withdraw from next year's America's Cup has focused attention on one of the most publicity-prone yet secretive entrepreneurs to emerge in the 1980s.

Last weekend, Mr de Savary announced that failure to sign up extra sponsors had forced him to withdraw from the yachting competition, just two weeks after he gave the go-ahead to build the yacht. The project, which has absorbed £10m, was scuppered for the want of another £2m-£3m.

Mr de Savary has often described trying to win the America's Cup as his greatest challenge. The abandonment of such a project has raised speculation about the financial health of his business interests, which include an exposure to one of the most depressed property markets the UK has ever seen.

Mr de Savary is adamant that it would be easy for him to provide the extra funds. "I was able to," he says. "But I never said I would, quite the reverse. I am not going to fund the entire America's Cup. I would rather indulge my money on something else."

The question of how much money Mr de Savary has to spare is a matter of conjecture. He will say only that he is not highly geared and: "If I sold everything and met my liabilities, I am a substantially wealthy person."

After the sale of his LandLeisure Group, the quoted vehicle concern, and taking Highland Participants, the property and

Changing course: Peter de Savary at the helm

ship repair group, into the private sector, Mr de Savary has extricated himself from the public realm. He has a complex, changing web of businesses registered around the world, the details of which are rarely publicised.

He prefers to downplay his property interests, which he says are less important than his international oil trading and shipping interests. "I am an entrepreneur dealing in cement, steel, oil and property. To me it is all a commodity."

He acknowledges that the UK property market, where he has numerous interests, will have big difficulties for the next two or three years, although he believes it is a good time to make acquisitions. "We are aggressive investors in the marketplace," he says.

Mr de Savary's interests include:

● Falmouth Oil Services, a bunkering company, where ships fuel up with oil. After starting four years ago, it has turnover of £40m. The company is also building bunkering stations in Panama and Papua New Guinea.

● Port Pendennis Harbour Village. Mr de Savary has halted the construction of houses and flats around a marina on a former industrial site in Falmouth. After a year on the market, a quarter of the development has been sold.

● The £100m Hayle Harbour housing project in Cornwall. Work has just started but may take nine years to complete.

● A site for a $200m (£125m), 53-storey block of flats called St James's Plaza in New York, plans for which are on hold.

● A hotel and theme park at Land's End in Cornwall and a hotel on the west coast of Scotland. He also has planning permission to turn Littlecote House, his Berkshire property, into a country house hotel with a golf course.

● The £200m project to build a new village at Canvey Island on the Essex coast, which is awaiting the inspectors' report on the planning application, after a public inquiry that ended last December. Even if permission is granted, Mr de Savary will not consider whether to start work until next year.

The postponement of the Canvey Island project may have a piquancy for followers of the America's Cup saga.

Two and a half years ago, Mr Tony Berry, then head of Blue Arrow, the employment agency group, made an unsecured loan of £25m without interest to Mr de Savary, in the hope that the profits from the Canvey Island project would help to finance the America's Cup, which Blue Arrow was then sponsoring. Soon afterwards, Mr Berry left Blue Arrow, the America's Cup sponsorship was cancelled and the Department of Trade and Industry launched an inquiry into the loan.

The loan first became eligible for repayment at the end of last month. However, Manpower, as Blue Arrow was known until last month when a management buy-out of Blue Arrow Personnel Services agency from Manpower was completed, has written off the loan.

Mr de Savary, who was furious about the write-off, says he has "every intention" of repaying, although he does not specify a date. The question of whether Manpower will be paid interest is "all hypothetical and speculative", Mr de Savary says.

Mr de Savary's transactions with Blue Arrow confirmed his reputation as a man who tended to come off best from a deal. Unlike many former tycoons of the 1980s, his deal-making skills have so far been enough to carry him through the trough of the market.

Even though the withdrawal from the America's cup may have dented his image, he still assumes the language of a swashbuckling buccaneer. "The market is a place of excitement, adventure and fun," he declares. "We are glad we are in it."

Yachting – The America's Cup, Page XIX

CBI adviser urges caution on top pay

By Peter Marsh, Economics Staff

MANY TOP executives may have to take pay cuts as a result of the recession, Professor Douglas McWilliams, chief economic adviser at the Confederation of British Industry, warned yesterday.

In a spirited defence of the large salary rises awarded recently to some of Britain's top industrialists, Prof McWilliams said that often such awards were fully justified. However, senior managers might soon have to bear their share of the difficulties caused by the year-long economic decline by accepting a drop in salaries.

"Over the coming year, we are more likely to see pay reductions for senior management than pay increases as the lagged effects of the recession work through into compensation systems," he told business leaders in London.

Prof McWilliams said that recent publicity about pay awards reflected "the re-emergence of the spirit of envy". Senior executives in Britain were not highly paid compared with counterparts in other countries.

In deference to the government's exhortations for workers to moderate their pay demands in an effort to reduce inflation, he said large awards for executives might not always be appropriate.

Even though such executives might be eligible for large rises, either because of recent business performance or to keep up with international trends, they might decide "not to take an increase or to donate a proportion to charity if they feel that taking the full increase would have an adverse effect on the running of their business".

Prof McWilliams said UK chief executives were paid on average 78 per cent less than their German counterparts.

Leisure plan for Cornwall

By Kenneth Gooding, Mining Correspondent

HOPES THAT Cornwall could retain vestiges of its tin mining industry rose yesterday after outline planning permission was given for a £35m leisure centre on the site of the Wheal Jane mine, near Truro.

Carnon Holdings, which owns Wheal Jane, said the leisure scheme would provide it with the financial stability to help continue mining at its other mine, South Crofty, nearby.

Low international tin prices killed Wheal Jane last year. In February it seemed that South Crofty must also close when Mr Peter Lilley, secretary of state for industry, withdrew promised government funding.

The project would include a mining heritage centre, an 18-hole golf course and the seven-year phased development of 230 golf and holiday lodges.

RUC chief warns of upsurge in terrorism

By Our Belfast Correspondent

THE TERRORIST threat in Northern Ireland is at its highest level for two years, the province's senior police officer warned yesterday.

Mr Hugh Annesley, Chief Constable of the Royal Ulster Constabulary, said the immediate outlook was grim and the decision by Loyalist terror groups to call off their ceasefire as a result of the failure of political talks had made matters worse. He was launching his annual report for 1990.

He said he was disappointed that the initiative of Mr Peter Brooke, the Northern Ireland Secretary, had not been successful, as progress on the political front helped to marginalise terrorism.

Mr Annesley drew attention to the growing array of weapons used by terrorists against the security forces and said he was hopeful that his application for an additional 400 officers would be approved by the Treasury.

SALEROOM

Old Masters depict art's risks

THE dangers in selling off your art collection too quickly were well illustrated at Christie's yesterday when a group of Italian Old Masters acquired in the past few years by Mr Frederick Field, the Californian show business entrepreneur, to decorate his home in Beverly Hills, found few takers.

The saleroom expected a total of about £6.5m for the 32 paintings, but raised only £1.7m. The most important work, a *Holy Family* painted in 1540 by Tintoretto – his first signed work – went unsold at £480,000 and a Veronese portrait of a gentleman sold at the bottom of its estimate for £605,000. Another Field picture, *Fortune with a Crown* by Guido Reni, made £440,000.

Compensation for Christie's came in the general sale of Old Master pictures that followed. *The Union of Cupid and Psyche*, a previously unlisted work painted in 1734 by Charles-Joseph Natoire, sold for £517,000 against an estimate of £70,000. It was easily a record for this French court artist.

Sotheby's did well, selling English furniture for £1.57m, with 18 per cent unsold. Mallets, the London dealer, paid £132,000 – about three times the estimate – for a George III satinwood and marquetry commode in excellent condition, and £57,200 for a matching side table also made around 1775. A George II mahogany writing table of 1755 doubled its top estimate, selling for £68,200.

Antony Thorncroft

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Friday July 5 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Thu Jul 4 Index No.	Wed Jul 3 Index No.	Tue Jul 2 Index No.	Year ago (approx) Index No.	1991 High		1991 Low		Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (184)	798.77	.....	11.02	6.05	11.17	18.16	799.20	795.99	803.77	877.35	890.04	15/3	675.31	16/1	1038.07 16/7 /87	50.71 13/12/74
2	Building Materials (24)	1013.45	-0.3	10.14	6.15	12.33	30.46	1016.16	1010.52	1020.47	1110.40	1167.75	14/3	911.64	16/1	1381.08 16/7 /87	44.27 11/12/74
3	Contracting, Construction (31)	1153.53	-0.9	9.94	6.76	13.24	31.87	1163.85	1156.02	1164.19	1433.08	1438.66	15/3	1051.83	23/1	1951.50 16/7 /87	71.48 2 /12/74
4	Electricals (10)	2288.24	-0.2	11.48	5.85	11.10	61.85	2292.71	2265.31	2269.22	2461.52	2495.28	3 /4	1837.98	22/1	3040.80 8 /9 /89	84.71 25/6 /62
5	Electronics (25)	1698.57	-0.1	8.88	5.30	14.98	10.13	1700.12	1691.99	1720.36	1803.85	1958.19	15/3	1478.08	16/1	2308.22 19/5 /89	1229.01 8 /10/85
6	Engineering-Aerospace (8)	404.99	+0.3	16.91	6.19	7.10	10.83	403.85	404.96	415.23	472.79	469.23	9 /4	380.48	16/1	502.42 13/6 /90	380.48 16/1 /91
7	Engineering-General (46)	435.67	+0.2	12.68	5.85	9.61	9.92	434.85	432.56	437.53	490.04	468.00	5 /4	339.57	23/1	505.10 15/6 /90	339.57 23/1 /91
8	Metals and Metal Forming (8)	433.28	+0.2	16.23	8.15	7.56	3.82	432.58	428.13	431.07	481.49	509.18	3 /4	381.44	16/1	596.67 9 /10/87	49.65 6 /1 /75
9	Motors (12)	302.00	-0.1	13.09	8.01	9.01	9.98	302.35	309.55	316.17	363.27	360.54	14/3	266.43	16/1	411.42 13/10/87	19.91 6 /1 /75
10	Other Industrial Materials (20)	1507.04	+0.2	9.30	5.33	12.65	34.85	1504.05	1495.51	1499.29	1574.26	1589.92	4 /4	1147.76	16/1	1681.53 18/8 /89	277.55 15/1 /81
21	CONSUMER GROUP (187)	1456.63	+0.5	8.08	3.73	15.22	22.68	1448.87	1437.19	1440.92	1299.69	1490.47	11/6	1188.45	16/1	1490.47 11/6 /91	61.41 13/12/74
22	Brewers and Distillers (22)	1774.55	+0.6	8.68	3.73	14.05	27.45	1764.63	1754.77	1759.30	1611.49	1849.73	11/6	1478.24	25/1	1849.73 11/6 /91	69.47 13/12/74
25	Food Manufacturing (19)	1186.78	+0.7	9.67	4.17	12.77	23.29	1178.21	1167.27	1163.29	1105.98	1210.94	5 /4	1013.60	16/1	1220.42 4 /9 /89	59.67 11/12/74
26	Food Retailing (17)	2639.50	+0.1	8.13	3.18	16.11	39.61	2636.05	2607.47	2603.44	2501.20	2854.91	2 /5	2259.53	2 /1	2854.91 2 /5 /91	54.25 11/12/74
27	Health and Household (22)	3556.76	+0.6	5.38	2.42	21.22	30.21	3536.05	3500.79	3522.53	2541.88	3578.84	17/6	2454.93	16/1	3578.84 17/6 /91	175.38 28/5 /80
29	Hotels and Leisure (23)	1206.10	+0.4	10.87	5.75	10.92	23.89	1201.33	1197.07	1214.54	1491.38	1399.64	14/3	1066.91	25/1	1845.77 8 /9 /89	54.83 9 /1 /75
30	Media (26)	1352.67	-0.1	9.46	5.20	13.40	29.60	1354.34	1356.19	1367.68	0.00	1521.09	17/4	1166.91	16/1	1521.09 17/4 /91	1166.91 16/1 /91
31	Packaging, Paper & Printing (17)	696.03	+0.9	8.09	4.74	14.93	14.33	689.48	685.59	682.79	607.12	700.18	14/6	486.96	16/1	739.48 16/7 /87	43.46 6 /1 /75
34	Stores (32)	894.55	+1.0	8.64	4.06	15.14	16.28	885.98	874.78	872.99	792.81	934.99	15/4	766.89	29/1	1160.58 29/7 /87	52.63 6 /1 /75
35	Textiles (9)	535.98	+0.4	9.74	5.78	12.63	13.79	533.75	530.10	525.92	494.61	563.46	3 /4	396.58	28/1	914.52 2 /10/87	62.66 11/12/74
40	OTHER GROUPS (109)	1217.00	+0.9	10.28	5.27	11.99	21.16	1206.52	1199.28	1201.38	1185.90	1244.60	11/6	961.05	16/1	1244.60 11/6 /91	58.63 6 /1 /75
41	Business Services (12)	1253.16	+0.9	9.21	5.19	13.26	29.13	1242.57	1234.20	1231.05	0.00	1272.62	21/6	892.28	1 /2	1272.62 21/6 /91	892.28 1 /2 /91
42	Chemicals (21)	1385.21	-0.2	8.08	5.20	13.96	32.35	1388.20	1383.85	1369.96	1276.77	1405.39	17/6	1004.01	16/1	1545.46 5 /10/87	71.20 1 /12/74
43	Conglomerates (10)	1399.58	+0.2	10.89	7.41	11.09	31.93	1396.74	1400.80	1411.33	1610.52	1626.42	14/3	1217.37	16/1	1819.46 11/8 /89	975.19 10/11/87
44	Transport (13)	2160.78	+0.1	8.75	4.93	14.16	46.60	2158.06	2154.73	2160.09	2286.98	2250.74	9 /5	1730.87	23/1	2554.69 12/7 /89	90.80 29/6 /62
45	Electricity (16)	1202.05	+2.3	14.22	5.41	8.96	0.00	1174.98	1168.61	1165.57	0.00	1250.49	5 /6	994.96	7 /1	1250.49 5 /6 /91	994.96 7 /1 /91
46	Telephone Networks (4)	1432.73	+0.5	10.35	4.25	12.64	5.58	1425.92	1407.79	1422.88	1237.76	1497.25	14/6	1085.95	16/1	1497.25 14/6 /91	517.92 30/11/84
47	Water (10)	2322.26	+2.7	17.79	6.63	6.21	118.37	2261.32	2232.55	2206.41	1949.82	2536.12	15/4	2134.83	16/1	2536.12 15/4 /91	1820.20 1 /5 /90
48	Miscellaneous (23)	1989.40	+1.7	6.08	4.85	21.33	47.71	1956.52	1948.39	1953.90	1807.28	1989.40	5 /7	1506.17	16/1	2087.06 11/7 /89	60.39 6 /7 /75
49	INDUSTRIAL GROUP (480)	1219.98	+0.5	9.36	4.68	13.15	21.39	1213.53	1205.51	1209.97	1170.86	1259.44	5 /4	991.97	16/1	1273.71 5 /9 /89	59.01 13/12/74
51	Oil & Gas (20)	2399.57	+0.7	11.31	5.70	11.63	50.59	2383.94	2368.64	2395.27	2294.60	2480.35	17/4	2101.46	21/1	2528.70 3 /8 /90	87.23 29/5 /62
59	500 SHARE INDEX (500)	1319.71	+0.5	9.61	4.81	12.93	23.79	1312.53	1303.89	1309.99	1265.30	1357.90	17/4	1092.04	16/1	1369.88 16/7 /87	63.49 13/12/74
61	FINANCIAL GROUP (94)	779.34	+0.3	–	6.08	–	20.71	777.00	765.70	767.33	802.06	859.94	15/3	667.36	16/1	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	873.48	-0.4	6.86	6.34	22.05	22.63	876.74	857.55	857.57	850.53	950.35	14/3	695.08	15/1	950.35 14/3 /91	62.44 12/12/74
65	Insurance (Life) (7)	1478.12	+1.4	–	5.60	–	41.64	1458.09	1439.93	1437.46	1449.90	1612.93	15/3	1220.74	16/1	1612.93 15/3 /91	44.88 2 /1 /75
66	Insurance (Composite) (6)	666.94	+1.1	–	6.57	–	20.23	659.52	651.76	656.28	690.32	728.27	15/3	572.52	16/1	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (8)	1127.33	+0.1	6.92	6.01	18.73	29.60	1125.81	1119.86	1127.40	989.53	1202.38	5 /4	932.88	23/1	1399.56 17/7 /87	65.86 16/12/74
68	Merchant Banks (7)	421.35	+0.5	–	4.98	–	11.00	419.11	417.81	416.16	435.63	448.97	15/3	327.70	16/1	547.59 12/10/87	31.21 7 /1 /75
69	Property (37)	890.77	+0.2	6.91	5.24	20.06	19.29	888.66	881.23	884.30	1102.82	1087.65	15/3	881.23	3 /7	1398.87 5 /9 /89	56.01 20/4 /65
70	Other Financial (20)	258.06	+0.4	11.01	6.99	11.35	7.80	257.13	256.22	258.73	290.96	298.63	15/3	236.37	16/1	603.48 16/7 /87	33.29 17/12/74
71	Investment Trusts (70)	1186.04	+0.3	–	3.56	–	19.23	1182.70	1177.20	1185.41	1217.40	1224.41	18/6	947.19	16/1	1323.81 4 /1 /90	71.12 13/12/74
99	ALL-SHARE INDEX (664)	1189.05	+0.5	–	4.94	–	22.74	1183.05	1174.07	1179.25	1154.10	1232.32	5 /4	987.46	16/1	1238.57 16/7 /87	61.92 13/12/74
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 4	Jul 3	Jul 2	Jul 1	Jun 28	Year ago						
	FT-SE 100 SHARE INDEX ♦	2484.7	+14.3	2485.1	2472.3	2470.4	2448.2	2460.2	2443.6	2414.8	2340.0	2545.3	5 /4	1990.2	28/9	2545.3 5 /4 /91	986.9 23/7 /84

FIXED INTEREST

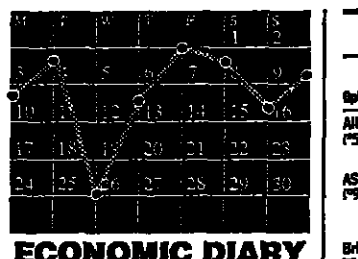
	PRICE INDICES	Fri Jul 5	Day's change %	Thu Jul 4	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	121.25	+0.17	121.04	1.94	6.06
2	5-15 years (27)	131.58	+0.47	130.97	2.55	6.73
3	Over 15 years (9)	138.42	+0.58	137.62	2.24	6.44
4	Irredeemables (6)	151.80	+0.71	150.73	1.49	7.34
5	All stocks (71)	130.51	+0.38	130.01	2.32	6.57
	Index-Linked					
6	Up to 5 years (1)	159.03	+0.02	159.00	0.50	2.72
7	Over 5 years (10)	145.51	+0.03	145.46	0.81	2.22
8	All stocks (11)	146.46	+0.03	146.41	0.80	2.23
9	Debs & Loans (56)	108.71	+0.15	108.55	2.32	5.18

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jul 5	Thu Jul 4	Year ago (approx.)	1991 High		1991 Low	
	British Government								
1	Low	5 years	9.02	9.03	10.88	10.14	16/1	8.93	11/6
2	Coupons	15 years	9.88	9.93	10.87	10.24	2 /1	9.46	19/2
3	(0%-7¾%)	20 years	9.88	9.93	10.87	10.26	2 /1	9.53	14/2
4	Medium	5 years	10.26	10.33	12.25	11.15	2 /1	10.04	20/2
5	Coupons	15 years	10.09	10.16	11.39	10.62	2 /1	9.84	14/2
6	(8%-10¾%)	20 years	10.02	10.08	11.17	10.50	2 /1	9.78	14/2
7	High	5 years	10.43	10.50	12.34	11.25	2 /1	10.20	19/2
8	Coupons	15 years	10.23	10.30	11.63	10.80	2 /1	9.98	14/2
9	(11%-)	20 years	10.12	10.19	11.41	10.67	2 /1	9.90	14/2
10	Irredeemables		10.06	10.13	10.89	10.48	31/12	9.83	14/2
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs	4.47	4.45	5.39	4.48	3/7	3.59	18/1
12	Inflation rate 5%	Over 5 yrs	4.34	4.34	4.36	4.36	28/6	4.09	18/2
13	Inflation rate 10%	Up to 5 yrs	3.58	3.54	4.33	3.58	5/7	2.13	21/2
14	Inflation rate 10%	Over 5 yrs	4.16	4.15	4.09	4.17	28/6	3.90	12/4
15	Debs &	5 years	11.97	11.98	13.87	12.63	9/1	11.84	2/4
16	Loans	15 years	11.79	11.79	12.79	12.38	18/1	11.61	4/3
17		25 years	11.58	11.59	12.54	12.16	18/1	11.40	1/3

♦ Opening index 2472.3; 9 am 2479.5; 10 am 2474.1; 11 am 2475.7; Noon 2479.3; 1 pm 2480.2; 2 pm 2479.3; 2.30 pm 2478.1; 3 pm 2481.3; 3.30 pm [illegible]; 4 pm [illegible]; 4.10 pm 2484.3 (a) 4.19pm (b) [illegible]

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1998.45	Overseas Traders	31/12/74	100.00	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/88	1114.07	Mining Finance	29/12/67	100.00	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.
NAME CHANGES: United Friendly Insurance (65) is now United Friendly Group; Systems Reliability Holdings (3) is now Enterprise Computer Holdings.



ECONOMIC DIARY

TODAY: Austria and Hungary have agreed to an Italian proposal for a meeting in Budapest of all countries neighbouring Yugoslavia.

MONDAY: Credit business (May). Retail sales (May-final). US consumer instalment credit. Sixth round of European Community - Poland talks in Brussels on association agreement (until June 10). European Parliament plenary session in Strasbourg (until July 12). European Community fisheries council meets in Brussels. European Community economic and finance ministers council meeting in Brussels. Mr Douglas Hurd, foreign secretary, starts visit to South Africa. Experts of the five permanent members of the UN Security Council will meet in Paris to discuss disarmament. TGWU and NUM hold conferences in Blackpool. Ratner annual meeting.

TUESDAY: Producer price index numbers (June-provisional). Start of two-day Financial Times conference "Telecommunications and the European business market" in London: speakers include M. Michel Carpentier, Commission of the European Communities, Sir Bryan Carsberg, Oftel, and Lord Young of Graffham, Cable & Wireless. New round of negotiations between Portugal and United States in Lisbon on renewing agreement on use of Lajes military base in the Azores.

WEDNESDAY: Zaire's open-ended national political conference starts in Kinshasa. The Congress of People's Deputies of the Russian Federation opens in Moscow.

THURSDAY: Capital issues and redemptions (June). Mr Toshiki Kaifu, Japanese Prime Minister, and his wife pay two-day visit to Kennebunkport, Maine, as guests of Mr George Bush, US president, and his wife. Confederation of British Industry holds conference "Managing for success" in London.

FRIDAY: Usable steel production (June). Quaterly analysis of bank advances (March-May). Retail prices index and tax and price index (June). US producer price index (June) and retail sales (June). Results announced of CBI/Coopers Deloitte survey of financial services.

LONDON TRADED OPTIONS

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Alld Lyons (*525)	500	30½	52	62	2½	12½	17½
	550	4½	24½	35	26½	36	40
ASDA (*93)	[illegible]						
Brit. Airways (*162)	[illegible]						
SmKl Beecham A (*795)	[illegible]						
Boots (*378)	[illegible]						
B.P. (*338)	[illegible]						
British Steel (*124)	[illegible]						
Bass (*925)	[illegible]						
C & Wire (*548)	[illegible]						
Courtaulds (*414)	[illegible]						
Com. Union (*515)	[illegible]						
Fisons (*493)	[illegible]						
GKN (*329)	[illegible]						
Grand Met. (*757)	[illegible]						
I.C.I. (*1278)	[illegible]						
Kingfisher (*492)	[illegible]						
Ladbroke (*237)	[illegible]						
Land Secur (*482)	460	23	39½	46½	2¼	7	12
	500	2¼	16½	25½	20½	24	28½
M & S (*254)	240	14½	24½	30½	1¼	3¼	6½
	260	2½	11¼	19	7½	11½	14½
Sainsbury (*354)	326	29	40½	48	¼	3	6
	356	7	19	28	18	12½	14½
Shell Tram. (*520)	500	25½	40½	49½	1½	12½	17½
	550	1½	11½	24	32½	40½	42½
Storehouse (*107)	100	8½	13½	17½	1	3¼	5½
	110	2½	7½	10½	5	7	9½
Trafalgar (*232)	220	16	28	33	3	11½	20
	240	5¼	16½	23	12½	20	30
Utd. Biscuits (*381)	360	23½	34½	43	2¼	9½	12½
	390	4	17½	26½	14½	22	26

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Unilever (*766)	750	22½	53½	67½	7½	18½	24½
	800	3½	24½	42½	35½	41½	48½
Ultramar (*288)	[illegible]						
(remaining Jul/Oct/Jan series)	[illegible]						
(*320)	280	–	–	–	¼	–	–

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Abbey Nat. (*278)	260	23½	31	37	5	7	10
	280	10½	19½	25	12½	13½	17½
Amstrad (*50)	45	8½	11	11½	2½	4½	5½
	50	5½	6½	8¼	5¼	6½	8
Barclays (*444)	420	32	44½	52½	10½	17	22
	460	11¼	22½	32½	29½	35½	42
Blue Circle (*246)	240	16	24½	32	10	13½	16½
	260	8	15	21½	21	24	26
British Gas (*247)	240	9½	15½	18	9¼	10½	14
	260	3	7¼	10	23½	24½	24½
Dixons (*213)	200	18½	24	30	5½	8	10½
	220	8	14½	19½	14	17½	20½

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel (*445)	420	42	57	71	12	19½	26½
	460	21½	38½	54	27½	40	44
(remaining Sep/Dec/Mar series)	[illegible]						

FT-SE INDEX (*2484) [illegible]

CALLS								
Jul	285	155	108	64½	32½	13	4½	1½
Aug	218	173	129	91½	59	34	19	9
Sep	232	192	152	116	83½	56½	36½	22½
Oct	248	208	168	133	102	75	53½	–
Dec †	281	–	207	–	142	–	89½	–
Jun †	365	–	295	–	230	–	170	–
PUTS								
Jul	3½	5	9	16½	35½	68½	115	165
Aug	8	12½	19½	31½	51½	79½	117	168
Sep	12½	18½	29½	44½	64	99	124	166
Oct	19	26½	38½	53	73	97½	130	–
Dec †	29½	–	54½	–	92½	–	145	–
Jun †	60	–	85	–	120	–	170	–

July 5 Total Contracts 23,332
Calls 16,486 Puts 6,846
FT-SE Index Calls 4,484 Puts 4,452
Euro FT-SE Calls n/a Puts n/a
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

UK COMPANY NEWS

£96m rights issue by Mountleigh

By Vanessa Houlder, Property Correspondent

MOUNTLEIGH Group, the property and retail company which owes a net £610m, yesterday said it was seeking £96m in new equity after breaching its banking facilities.

Its shares fell by a third after it announced the rights issue and subscription and reported a £96.1m pre-tax loss for the year to April 30. The loss included an £80.3m exceptional provision against Mountleigh's UK properties.

Mountleigh said its banking facilities had been renegotiated on condition that the equity issue was successful.

The 2-for-1 rights issue at 25p, which sent the shares down by 18p to 36p, comes six weeks after the Gordon P Getty family trust bought an 11 per cent stake for 100p per share from Mr Nelson Peltz and Mr Peter May, two entrepreneurs, who bought control of the company from Mr Tony Clegg in November 1989.

Two new investors are being brought into the company as a result of an unusual underwriting structure. Hotel Equities Investors, which is controlled by the Pritzker family, the Chicago-based investors which own the Hyatt hotel chain, and Accumulator, a property investment company based in Copenhagen, will sub-underwrite 36 per cent of the issue.

If they are not required to take up all these shares, they will be issued with enough shares at 25p each to give them a holding of 5.95 per cent and 5 per cent respectively.

Mr Peltz, Mr May and the Getty Trust will not participate in the rights issue but will take up their 22.5 per cent entitlement by direct subscription at 25p per share. They will also sub-underwrite the first 12.5 per cent of the rights issue, which is underwritten by UBS Phillips & Drew.

The rights issue will reduce the 105 per cent gearing to 70 per cent. An accelerated programme of property disposals is expected to reduce gearing to 50 per cent by the year-end.

Mountleigh was unable to fund the development and cost-cutting programme of Galerias, its Spanish department store group, where operating profits fell from £23.6m to £15.3m. Its banks have agreed to release their guarantee over Galerias, which will allow it to raise finance in Spain.

Group turnover was £664.9m, compared with £645.1m in 1989-90, when the pre-tax loss was £46.8m. After the rights issue, the pro forma net asset value will be 94.5p per share, compared with net assets of 237.8p (basic) at April 30 and 284p (restated) the previous year.

Subject to approval of the rights issue, the final dividend will be 0.75p, for a total of 2p (4.75p).

Maxwell vehicle in £57.5m bid for First Tokyo Index

By Philip Coggan, Personal Finance Editor

HEADINGTON Investments, a company controlled by Mr Robert Maxwell, the newspaper publisher, is making a recommended £57.5m cash offer for First Tokyo Index Trust, following a substantial programme of securities lending between two Maxwell-controlled companies which may have affected First Tokyo's investment trust status.

The offer document says that London & Bishopsgate International Investment Management (LBI), the fund management group, conducted a programme of securities lending with London & Bishopsgate Holdings (LBH), a subsidiary of Headington, in 1989 and 1990. LBI is a subsidiary of LBH.

The document adds that "the manner and terms of the securities lending programme should have been approved by a resolution of the board". The material contracts section of the document refers to "various oral agreements entered into between May 1989 and March 1991 and made between LBI (on behalf of First Tokyo) and LBH under which securities of First Tokyo were lent to LBH".

As of December 31 1990, the value of securities lent under the programme amounted to £37.6m, compared with the trust's investment portfolio of £44.8m. The trust made an exceptional gain of £599,000 which related to additional fees for 1989 lending, following, the document says, "a full review of the securities lending programme".

The document says that the company's status as an investment trust "may have been affected by the income arising from the securities lending programme", but LBI has indemnified First Tokyo against any liability to taxation arising from the loss of investment trust status.

The trust's difficulties with the lending programme were believed to be viewed by the Maxwell group as a "back office snafu."

First Tokyo was reconstituted in early 1989 as a index-tracking trust with the aim of matching the performance of the first section of the Tokyo stock market. The offer is cash for the formula asset value of the trust, worth about 131p per share.

Headington Investments is making the offer, the document states, because "it believes that there will be a rise in the Japanese market". In addition, the trust contains a trigger mechanism which calls for a resolution to shareholders on winding-up if the discount to net assets exceeds 8 per cent in the last 12 weeks of a financial year – an event which has duly occurred.

Bishopsgate Investment Management, which holds 24.9 per cent of the trust as trustee for the pension fund of Maxwell Communication Corporation, Mirror Group Newspapers and AGB International, is accepting the offer.

Tiphook more than doubled at £76.1m helped by SeaCon buy

By Jane Fuller

TIPHOOK, which doubled its container rental business last year by buying Sea Containers' fleet, more than doubled pre-tax profit from £33.1m to £76.1m in 1990-91.

The increase was achieved on a 73 per cent rise in turnover to £303.1m (£174.7m) in the year to April 30. Earnings per share, however, advanced less rapidly to 65.2p (48p) because of paper issued to fund the acquisition.

The share price gained 21p to close at 474p.

With the container fleet growing from 200,000 to 420,000 units, that division's turnover doubled to £142m (£71.2m) and its pre-tax profit went up 2.5 times to £59.9m (£24.3m). The US and Asian markets had remained buoyant, offsetting softer conditions in Europe. A further 80,000 units are expected to be added this year.

Mr Eric Goodwin, deputy chairman, said that 200,000 containers acquired from Sea Containers had been absorbed by increasing the section's workforce by less than 35 people to make a total of about 180. The units had been rapidly added to the central computer system.

Tiphook has become the world's second largest container operator. It leapfrogged from fifth to third early last year through the $546m (£340m) Sea Containers deal; then the top two players merged.

Eric Goodwin: expects debt to rise again this year

Genstar, a subsidiary of General Electric, acquired the container assets of Itel, another US concern, last October, giving it a fleet of 950,000.

In trailer rental, the fleet was increased partly by acquisition from 20,600 to 33,000. Turnover grew to £128.6m (£76.2m), but pre-tax profit advanced much more slowly to £10.1m (£8.1m).

While the fleets in Germany and Denmark grew, other areas were weak. The UK only broke even and utilisation rates fell to little more than 60 per cent.

Special equipment, including the fast-growing rail fleet, improved to £2.5m pre-tax profit, compared with a £600,000 loss. Financial services contributed a static £3.6m.

Interest payments of £57m were covered about 3.3 times by operating profit. Borrowings rose to £735m, nearly three times shareholders' funds. Mr Goodwin said that although debt was expected to rise again this year, by at least £60m, gearing should fall. With 60 per cent of the debt in dollars, the average interest rate was about 9 per cent.

Capital spending was expected to fall from £200m to £170m.

Although the tax rate rose, it was less than 7 per cent, helped substantially by the use of capital allowances.

The final dividend goes up to 10.3p (6.5p), making a total of 13.8p (9.2p), a 50 per cent increase.

See Lex

Split prompts £9m bid for Thurgar

By Andrew Bolger

A BOARDROOM split at Thurgar Bardex, which makes windows, doors and other plastic products, has led to an £8.9m offer being made for the Kettering company by Heywood Williams, the UK's largest glass distributor.

Huddersfield-based Heywood said it had only tabled the offer after attempts to open talks with the chairman of Thurgar, Mr Peter Johnson, had been rebuffed.

However, Heywood also said it had received an irrevocable acceptance of its offer from the Nye family trusts of which Mr Cliff Nye, the chief executive of Thurgar, is a director. The Nye trusts own 17.7 per cent of Thurgar.

Heywood is offering one new share and 160p in cash for every 10 Thurgar shares. Heywood shares closed 3p lower at 268p, making the offer worth 42.8p for each Thurgar share – up 15p at 40p.

Beeson Gregory, Thurgar's financial advisers, said Mr Johnson was out of the country yesterday and there would be no formal response to the offer until the board met early next week. Meantime, it advised Thurgar holders not to sell their shares.

Mr Nye said he could not comment on the offer, or his position as chief executive, until the board had met.

Mr Ralph Hinchliffe, chairman of Heywood, said he approached Mr Johnson several weeks ago, but received a letter this week stating the board had unanimously rejected the idea of talks. However, he had also been approached by the Nye family trusts, offering to sell their 17.7 per cent stake.

Thurgar, which has been hit by the downturn in house-building, incurred a pre-tax loss of £56,000 on turnover of £43m in 1990, and passed its final dividend. At the year-end, it had gearing of 98 per cent.

Heywood, which is being advised by Lloyds, has never before made a hostile bid. Mr Hinchliffe said he still hoped there could be positive discussions with the board, leading to a recommendation for the offer.

He said the principal attraction of Thurgar was its large plant in Gloucester producing blending powder, which his company could extrude into uPVC. It could also put its glass into Thurgar's window frames.

Berisford's net debt cut to less than £10m

Berisford International, the commodities and property group which was virtually bankrupt a year ago with debts of £1.2bn, has now almost eliminated its borrowings. This follows the receipt of the £79.4m final instalment of the sale proceeds from British Sugar.

Net debt is less than £10m, Mr Murray Stuart, chief executive, said. He added that the group's banks should be fully discharged this summer, less than a year after a refinancing agreement was signed.

Berisford shares were unchanged at 37p.

Hawthorn Leslie loses £11m after higher costs

HAWTHORN Leslie, the mobile communications, consumer products, electrical and leasing group, suffered from increased costs and interest charges in 1990, leaving it with a loss of £11.24m against a profit of £4.67m previously.

Turnover rose 17 per cent to £162.9m (£139.6m) and gross margins were broadly maintained. But operating expenses were £43m (£28m) and interest costs £5.9m (£3.53m).

In mobile communications the infrastructure had been expanded, but the economic climate meant the level of new connections failed to meet expectations and the level of disconnections was higher. Additional provisions of £3.2m were made.

In leasing, the provision against instalments was increased by £1.2m.

Losses per share for the year were 5.43p (earnings 1.55p) and there is no dividend (0.65p).

The group had the continued support of bankers as it was taking steps to implement the disposal programme.The accounts have been qualified on a going concern basis by the auditors.

Verson rises 33% and plans to raise £2m

Verson International, the West Midlands-based machinery maker, yesterday reported a 33 per cent increase in pre-tax profits to £3.29m in the year to January 31.

At the same time it said it planned to raise about £2m net via the issue of 6m new ordinary shares (4.21 per cent of the increased share capital) to Société Regionale d'Investissement de Wallonie at 34p apiece.

Turnover rose by 20 per cent to £83.8m and earnings per share were 3.02p (2.65p). A final dividend of 0.7p gives a total for the year of 1p (0.81p).

John Menzies falls to £21.5m

By James Buxton

JOHN MENZIES, the Edinburgh-based retail and wholesale group, yesterday blamed what Mr John Menzies, its chairman, called "the most difficult year I can remember" for its 26 per cent profits fall.

Pre-tax profits for the 53 weeks to May 4 were down by £7.6m to £21.5m. Of this, £4m comprises the special provision announced in February to cover an exceptional loss in its Hammicks book wholesaling business. In addition, interest charges almost doubled to £4.5m (£2.3m).

Sales, however, rose by 13 per cent to £1.02bn and the dividend for the year is lifted by 0.4p to 9.4p with a proposed final of 6p (5.75p).

John Menzies Wholesale, which handles newspaper distribution, and TBD, which is a wholesaler in home entertainment, both exceeded their budgets, and Early Learning Centres produced "outstanding results". Hammicks bookshops showed "healthy growth".

Sales volumes in the retail side remained almost static with the average transaction only £1.50. The office equipment market was depressed.

Because of last year's £15.2m provision for Early Learning Centres in the US, no sales are recorded from this branch of Menzies' activities. The US chain has been restructured and Mr Ranald Noel-Paton, group managing director, hopes it can be sold in due course.

● COMMENT

Menzies gives only the sparsest of information about the relative performance of its sectors but what it does disclose shows that the low-margin wholesale businesses are doing fairly well while most of the retailing side is not. Analysts do not believe the company is improving its competitiveness against WH Smith, its main rival, and even without the recession it is difficult to forget that twice in eight months it has had to make provisions for managerial disasters – one with Early Learning Centres in the US and the other with Hammicks closer to home in Birmingham. Yesterday's results were rather worse than some had expected, and the market appears to be looking for pre-tax profits of about £29m this year, which suggests a prospective multiple of just over 10. That is no better than a hold.

Real ale revival behind Fuller gain

By Philip Rawstorne

THE REAL ale revival is boosting the profits of Fuller Smith & Turner, the west London-based brewer of ESB, London Pride, and Chiswick beers.

Volume sales of the beers – which have won five of the 13 annual Campaign for Real Ale awards – increased by 14 per cent last year as the brewer produced more than 100,000 barrels for the first time in its 146-year history.

That helped lift pre-tax profits for the year ended March 30 by 6 per cent to £9.01m (£8.52m). It was affected by a drop in investment income from £774,000 to £108,000, following the £9m acquisition of 44 pubs from Allied-Lyons.

Distribution deals with Bass and Whitbread helped Fuller to push sales of the beers as "guest ales" in pubs throughout the country. Free trade volume and exports surged 38 per cent and were still rising.

Exports of the beers, now distributed by Grolsch in the US, grew by 67 per cent in volume and now accounted for 3.5 per cent of Fuller's production.

The government's "guest ale" order – which allows tenants of the major brewers to stock a cask-conditioned ale from another supplier – had been slow to take effect. "But demand for well-known, strongly-branded real ales is now increasing fast," said Mr Anthony Fuller, the chairman.

Fuller's had anticipated the trend by implementing a new corporate identity and brand marketing programme. It had increased brewery capacity by 32,000 barrels and was embarking on a £1.8m modernisation of its Chiswick brewhouse.

Operating profits were 15 per cent higher at £8.9m (£7.75m) on turnover up 18 per cent to £70m (£59.5m). Earnings per share improved to 24.38p (22.92p). A final dividend of 4p gives 6.1p (5.5p) for the year.

Mr Fuller said the newly-acquired pubs did not contribute to profits in the first half year but were now producing a return of over 11 per cent.

The managed pubs – 75 of the total estate of 200 – produced a "very solid performance" with profits up 15 per cent.

Macarthy expected to show 15% rise

Macarthy, the pharmaceuticals retailer and manufacturer fighting off a hostile £57.4m bid from Grampian Holdings, is expected to show an interim pre-tax profit increase of roughly 15 per cent in a defence document to be released today.

If the figure tops £2.7m, compared with £2.4m (£4.3m) for the six months to March 31 1990, this would set the tone for fulfilling full-year forecasts of more than £5m. Last year, £4.6m was made pre-tax on sales of £330m.

Another point of interest will be the dividend, as Macarthy has previously dipped into reserves to pay the annual *total*.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberforth Small ......int	2	Aug 23	-	-	-
City Site Ests ......int	0.96	Aug 12	0.96	-	1.92
Fuller Smith ......fin	4	Aug 20	3.64	6.1	5.5
Hawthorn Leslie ......fin	nil	-	0.4	nil	0.65
JS Pathology ......fin	3.7	Oct 4	3.7	5.5	5.5
Menzies (John) ......fin	6	Oct 31	5.75	9.4	9
M&W ......int	1	Aug 23	-	-	1
Quiligotti ......fin	0.77	-	1.44	1.53	2.2
Tiphook ......fin	10.3	-	6.5	13.8	9.2
Verson ......fin	0.7†	Sept 6	0.6	1	0.81

*Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.*

ASCoT net asset value at 111.64p

Fully diluted net asset value at Aberforth Smaller Companies Trust was 111.64p at June 30. The company was launched and came to market on December 10 1990.

Net revenue from that date to June 30 totalled £410,000. Earnings were 2.73p per share and the maiden interim dividend is 2p.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§100	F.P.	–	107	101	Abtrust Preferred Inc. Tst.	103	+1	M12.32	–	16.0	–
§102	F.P.	–	107	104	Do. Zero Div. Prf.	107		–	–	–	–
–	F.P.	–	41	10	Argis Warrants 5p	41		–	–	–	–
‡	F.P.	–	185	185	Brockhampton 10p	185		–	–	–	–
‡	F.P.	–	33	33	Do. A Warrants 10p	33		–	–	–	–
‡	F.P.	–	145	140	Do. Non/Vtg. A 10p	145		–	–	–	–
100	F.P.	–	102	97	City Merchants High Yld	98		R7.5	–	10.2	–
–	F.P.	–	½	¼	Gaelic Res. Wrnts.	¼	–¼	–	–	–	–
Ir230	F.P	–	245	205	Greencore Ir£1	215		u06%	5.9	1.9	9.1
385	F.P.	–	335	272	Manchester United 10p	291		–	–	–	–
†	F.P.	–	908	691	Manpower Inc. 1c	851		–	–	–	–
125	F.P.	–	127	97	Mirror Grp. Newspapers	97		R6.55	1.7	9.0	8.7
100	F.P.	–	113	100	Moorgate Smaller Co's.	109		M4.13	–	5.0	–
35	F.P.	–	39	36	Do. Warrants	36		–	–	–	–
240	100	–	124½	109½	Scot Hydro-Elect. 50p	115	+2	R9.13	1.9	10.6	6.1
240	100	–	119½	102½	Scottish Power 50p	106	+1½	L9.2	q2.1	11.6	4.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
‡	F.P.	-	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	-	110¼	98¾	Burmah Cap (Jersey) 9½pc Cnv Bds 2006	100¼	+¼
100	F.P	-	100	96½	EE Finance 8¾pc Gtd. Exch. Bds. 2006	99½	+1¼
Ir110p	Nil	-	22½p	18p	Fyffes 8.25p (Net) Cnv Cm Prf Ir£1	22½p	
100p	Nil	-	4½pm	¼pm	Queens Moat Houses 7½pc Cv Rd Pf	¼pm	-¼
100	F.P.	-	103¼	96½	RMC Capital 8¾pc Cnv. Bds. 2006	96¾	
100	F.P.	-	103½	96¼	Tarmac 9¼pc Cnv. Cap. Bds. 2006	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
83	Nil	–	8½pm	8pm	Amber Day 2½p	8½pm	
155	Nil	–	20pm	14pm	BPB Industries 50p	18pm	+1
315	Nil	–	70pm	50pm	Bespak 10p	50pm	
108	Nil	–	7pm	4pm	Dart Group 10p	6pm	
100	Nil	–	15pm	7pm	‡Flextech 10p	7pm	–2
52	Nil	–	6pm	3pm	Gardiner Group 5p	4pm	–½
50	Nil	–	23pm	8pm	Gardner (D.C.) 5p	9pm	+1
380	Nil	–	54pm	38pm	Heath (C.E.) 20p	46pm	–1
72	Nil	–	5pm	1pm	McCarthy & Stone 20p	1pm	
265	Nil	–	40pm	19pm	Morland	19pm	–2
71	Nil	–	7pm	5pm	Regalian Properties	5pm	
312	Nil	–	43pm	39pm	Sainsbury (J)	43pm	
22	Nil	–	¼pm	¼pm	Tie Rack 5p	¼pm	
10	Nil	–	¼pm	¼pm	Welpac 7p	¼pm	
140	Nil	–	18pm	½pm	Wildecroft	½pm	
25	Nil	–	¼pm	¼pm	Willaire 20p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings July 8
- Last Dealings July 19
- Last Declarations Oct. 10
- For settlement Oct. 21

For rate indications see end of London Share Service

Calls in Ansbacher (H), Aviva Pet., Crest Nicholson and Dectus.

FT-ACTUARIES SHARE INDICES - QUARTERLY VALUATION

The market capitalisation of the groups and sub-sections of the FT-Actuaries Share Indices, as at June 28 1991, are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the preceding quarter and for December 31 1990 after allowing for the year-end changes.

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)		Market capitalisation as at June 28,1991 (£m.)	% of all share index	Market capitalisation as at Mar. 28,1991 (£m.)	% of all share index	Market capitalisation as at Dec. 31,1990 (£m.)	% of all share index
1	CAPITAL GOODS GROUP	(184)	68,372.65	14.23	73,486.04	15.13	61,789.54	14.87
2	Building Materials	(24)	13,034.23	2.71	14,481.98	2.98	12,237.71	2.94
3	Contracting, Construction	(31)	5,919.39	1.23	6,544.45	1.35	5,246.17	1.26
4	Electricals	(10)	3,142.36	0.65	3,405.67	0.70	2,603.33	0.63
5	Electronics	(25)	8,511.78	1.77	9,080.28	1.88	9,410.54	2.27
6	Engineering-Aerospace	(8)	4,541.73	0.95	4,824.97	0.99	4,327.51	1.04
7	Engineering-General	(46)	7,532.88	1.57	7,930.81	1.63	6,304.82	1.51
8	Metals and Metal Forming	(8)	3,760.25	0.78	4,370.30	0.90	3,597.16	0.87
9	Motors	(12)	3,847.11	0.80	4,080.53	0.84	3,442.77	0.83
10	Other Industrial Materials	(20)	18,082.92	3.77	18,767.05	3.86	14,619.53	3.52
21	CONSUMER GROUP	(187)	168,769.04	35.13	166,829.18	34.34	140,970.73	33.94
22	Brewers and Distillers	(22)	31,313.44	6.52	30,939.08	6.37	27,047.64	6.52
25	Food Manufacturing	(19)	20,755.99	4.32	21,407.18	4.41	18,579.71	4.47
26	Food Retailing	(17)	18,359.61	3.82	18,006.90	3.71	15,158.52	3.65
27	Health and Household	(22)	43,279.40	9.01	40,026.38	8.23	32,119.21	7.74
29	Hotels & Leisure	(23)	11,568.43	2.41	12,328.16	2.54	10,944.00	2.63
30	Media	(26)	13,243.32	2.76	13,452.12	2.77	11,378.97	2.74
31	Packaging, Paper & Printing	(17)	5,493.48	1.14	5,291.78	1.09	3,376.11	0.81
34	Stores	(32)	22,632.29	4.71	23,060.95	4.74	20,606.86	4.96
35	Textiles	(9)	2,123.08	0.44	2,316.63	0.48	1,759.71	0.42
40	OTHER GROUPS	(109)	114,705.72	23.88	111,651.41	22.99	91,681.19	22.07
41	Business Services	(12)	5,390.52	1.12	5,609.45	1.15	4,587.58	1.10
42	Chemicals	(21)	16,586.30	3.45	15,236.90	3.15	12,748.04	3.07
43	Conglomerates	(10)	14,463.94	3.01	16,136.56	3.32	13,224.11	3.18
44	Transport	(13)	10,166.60	2.12	10,277.37	2.12	9,405.75	2.26
45	Electricity	(16)	14,473.56	3.01	11,194.43	2.30	6,181.76	1.49
46	Telephone Networks	(4)	30,201.17	6.30	29,701.02	6.12	24,454.82	5.89
47	Water	(10)	7,408.19	1.54	7,940.51	1.63	7,292.03	1.76
48	Miscellaneous	(23)	16,015.44	3.33	15,555.17	3.20	13,787.10	3.32
49	INDUSTRIAL GROUP	(480)	351,847.41	73.24	351,966.63	72.46	294,441.46	70.88
51	Oil and Gas	(20)	52,410.00	10.91	52,576.17	10.83	51,227.24	12.33
59	500 SHARE INDEX		404,257.41	84.15	404,542.80	83.29	345,668.70	83.21
61	FINANCIAL GROUP	(94)	62,965.19	13.11	67,760.88	13.95	58,508.39	14.08
62	Banks	(9)	25,591.82	5.33	27,169.37	5.60	22,971.51	5.52
65	Insurance (Life)	(7)	8,316.06	1.73	9,030.74	1.86	7,428.89	1.79
66	Insurance (Composite)	(6)	10,997.08	2.29	11,715.05	2.41	10,211.18	2.46
67	Insurance Brokers	(8)	3,063.90	0.64	3,132.26	0.64	2,578.27	0.62
68	Merchant Banks	(7)	2,444.27	0.51	2,532.17	0.52	2,072.48	0.50
69	Property	(37)	9,575.30	1.99	10,863.01	2.24	10,387.55	2.50
70	Other Financial	(20)	2,976.76	0.62	3,318.28	0.68	2,858.51	0.69
71	Investment Trusts	(70)	13,170.84	2.74	13,411.19	2.76	11,260.24	2.71
99	ALL-SHARE INDEX	(664)	480,393.44	100.0	485,714.87	100.0	415,437.33	100.0

NEWS DIGEST

£1.3m fall at JS Pathology

THE RECESSION, the Gulf war and the move to Camden Lock, London took their toll on JS Pathology, the clinical laboratory, in the year ended March 31 1991, when pre-tax profit fell by £1.32m to £2.66m.

But Dr Jean Shanks, who heads the company, said none of the factors were of permanent or recurring and should not prejudice progress in the medium and longer term.

Indeed, she looked forward to greater prosperity from the excellent facilities at the Camden Lock laboratories, the development of the pharmaceuticals division and the anticipated work from NHS sources.

The dividend is being held at 5.5p with a final of 3.7p. Dr Shanks is waiving her entitlement to the final, so post-extraordinary cover of 3.4 times is only a little less than last year. Actual earnings per share were 13.2p (19.2p).

Turnover in the year was £11.2m (£11.6m) and operating profit came to £1.44m (£2.65m). The Gulf war virtually obliterated some of the Middle East hospital contracts and greatly reduced the number of overseas patients coming to London for tests.

Disposal puts City Site £2m in red

Losses on the disposal of the interest in a retail and office property pushed City Site Estates into the red to the tune of £1.99m in the half-year ended March 31. Previously, there was a profit of £78,000.

The loss on the sale was £1.95m. It was made to eliminate the annual revenue deficit of £1.3m for that property and to reduce further exposure to the central London market.

City Site had little exposure to the development market, said Mr William Syson, the chairman.

Further, borrowings had been reduced by £18m since last September.

Losses per share were 16.67p (2.85p) and the interim dividend is again 0.96p.

Kingsgrange slips below forecast

Kingsgrange, the toiletries manufacturer which is a significant supplier to Marks and Spencer, finished the year ended April 30 1991 with pre-tax profits of £781,000, against £215,000.

The result was £42,000 down on the forecast made last month in connection with the management buy-out offer through Matahari 374, the difference arising from an adjustment following the year-end audit.

A few days ago Dewhirst, which also serves Marks and Spencer with textiles and toiletries, made a higher counterbid for Kingsgrange, which was recommended by the independent directors and advisers.

Turnover for the year slipped to £20m (£20.9m) but margins improved from 6.6 per cent to 7.5 per cent. Toiletry sales declined 17 per cent mainly because it was decided not to pursue low margin contracts. Earnings per share amounted to 1.8p (1.5p).

Trading was particularly difficult in the last four months of the year.

M&W rises to £0.9m in first interim

Thanks in large part to a swing in interest from £102,000 payable to £202,000 receivable, M&W, the convenience store operator which went public in June 1990, achieved an advance in pre-tax profits in the 26 weeks to March 30.

The taxable result emerged at £914,000 (£840,000) on increased turnover of £30.9m (£27.6m). Operating profits slipped to £712,000 (£735,000). Earnings worked through at 3.7p (5.4p) and there is a maiden interim dividend of 1p.

Mr Michael Weston, chairman and chief executive, said that *the company had continued* its expansion with the opening of a further five stores, giving a total of 79 convenience stores, three supermarkets, and two cash and carries.

Exceptionals and losses hit Quiligotti

Reduced trading in the UK, substantially increased losses overseas, and exceptional charges have reduced pre-tax profit of Quiligotti from £2.07m to £906,000 in the year ended March 31.

And this manufacturer of terrazzo floor tiles is cutting the dividend: a proposed final of 0.77p makes a total of 1.53p, against 2.2p. Earnings per share were 1.3p (4.4p) as a proportionately higher tax charge reflected trading losses in the US and Ireland.

Mr John Riordan, chairman, said the core business in the UK performed well and produced a profit of £1.87m (£2.08m). Overseas losses were £259,000 (£14,000).

Exceptional charges were £703,000 and comprised £353,000 start-up costs of the manufacturing facility in Dallas, and £350,000 for the resolution of a legal dispute in the UK in 1986.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 05.07.91: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices: Pool selling price £/MWh
0030	17.94	18.05	19.13
0100	15.95	16.25	16.25
0130	15.95	16.20	16.20
0200	15.95	18.05	19.12
0230	15.95	18.05	19.12
0300	15.95	18.05	19.12
0330	15.96	18.25	16.25
0400	15.95	16.25	16.25
0430	15.96	16.25	16.25
0500	15.95	16.25	16.25
0530	15.82	16.10	16.10
0600	15.82	16.10	16.10
0630	15.82	18.19	19.28
0700	15.82	18.19	19.27
0730	15.82	18.19	19.26
0800	18.23	18.99	20.09
0830	18.82	19.39	20.49
0900	18.82	19.50	20.61
0930	19.75	20.37	21.49
1000	19.75	20.98	22.12
1030	19.76	20.98	22.11
1100	19.75	20.98	22.11
1130	19.75	20.98	22.12
1200	18.82	20.37	21.49
1230	18.82	20.37	21.49
1300	18.82	19.90	21.02
1330	18.38	19.66	20.77
1400	18.38	19.39	20.49
1430	18.38	18.99	20.08
1500	15.95	18.99	20.08
1530	15.95	18.28	19.34
1600	15.95	18.28	19.35
1630	15.95	18.28	19.35
1700	18.38	18.99	20.07
1730	18.38	18.99	20.07
1800	18.38	18.99	20.07
1830	18.38	18.99	20.08
1900	18.36	18.72	19.79
1930	17.63	18.72	19.80
2000	17.63	18.72	19.80
2030	17.63	18.28	18.28
2100	17.63	18.19	18.19
2130	17.63	18.72	19.80
2200	17.63	18.99	20.08
2230	17.63	20.98	22.13
2300	17.63	20.98	22.14
2330	17.63	18.72	19.81
2400	15.82	18.72	19.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

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Capital to the rescue

WHO SUFFERED from the huge current account surpluses and deficits of the 1980s? Certainly not the OECD countries, where incomes per head grew by a quarter per cent over the decade. As the OECD's latest Economic Outlook points out, those who worried about a US current account deficit equivalent to more than 3 per cent of GNP in mid-decade need not have bothered: the US deficit fell almost as smoothly as it rose.

The victims of these large current account swings were in the developing world. It was at their expense that the US first scooped the global pool of savings and then, when it at last lowered its demands upon the world's surplus savings, insisted that the supply from Japan and Germany be reduced at the same time.

The US has been remarkably successful on this latter point. German unification has eliminated a current account surplus that was running at 5 per cent of GNP as recently as the beginning of 1989. From being the biggest capital exporter in Europe, Germany has thus become a capital importer in 1991 and seems unlikely to run a trade surplus of any size for some time to come. That leaves Japan as the world's only big capital exporter with a current account surplus expected to run at between 1-1½ per cent of GNP over the next year or so, itself far below the peak levels of a few years ago.

Since the OECD expects the US deficit to rise from 0.2 per cent of GNP this year to one per cent in 1992, these figures point to precious little slack in the world's capital markets. Yet talk of capital shortage can be overdone. The greatest need for capital in the global system may lie in the Soviet Union; yet it seems highly unlikely to be satisfied, least of all through capital issues in private financial markets, for the foreseeable future. Eastern Europe's need for capital is smaller and likely to be stretched out over a long period. As for the war-torn countries of the Gulf, the figures are not big enough to impose strain on the markets.

Financing doubts

Nevertheless, the global shifts may be important for the UK, which is running a current account deficit equivalent to 1 per cent of GNP even in the depths of recession. As the deficit increases with economic recovery, doubts about financing will be raised again. Yet the message of the 1980s appears to be that capital and currency markets provide a fairly resilient adjustment mechanism. They can overshoot. But on balance they work rather better than many markets that operate in slower motion.

There is greater cause for concern over the future of the trading system, and within that system, of policy towards agriculture, the sticking point in the Uruguay Round. Total transfers from taxpayers and consumers to agricultural support, with the European Community sharing a large portion of the blame, are estimated to have reached a record $300bn in 1990. That, like the pre-emptive American claim on surplus world savings, hit the Third World badly. And in the First World, as the OECD points out, any failure to improve agricultural policy makes related budgetary, economic and trade problems more acute.

Labour problems

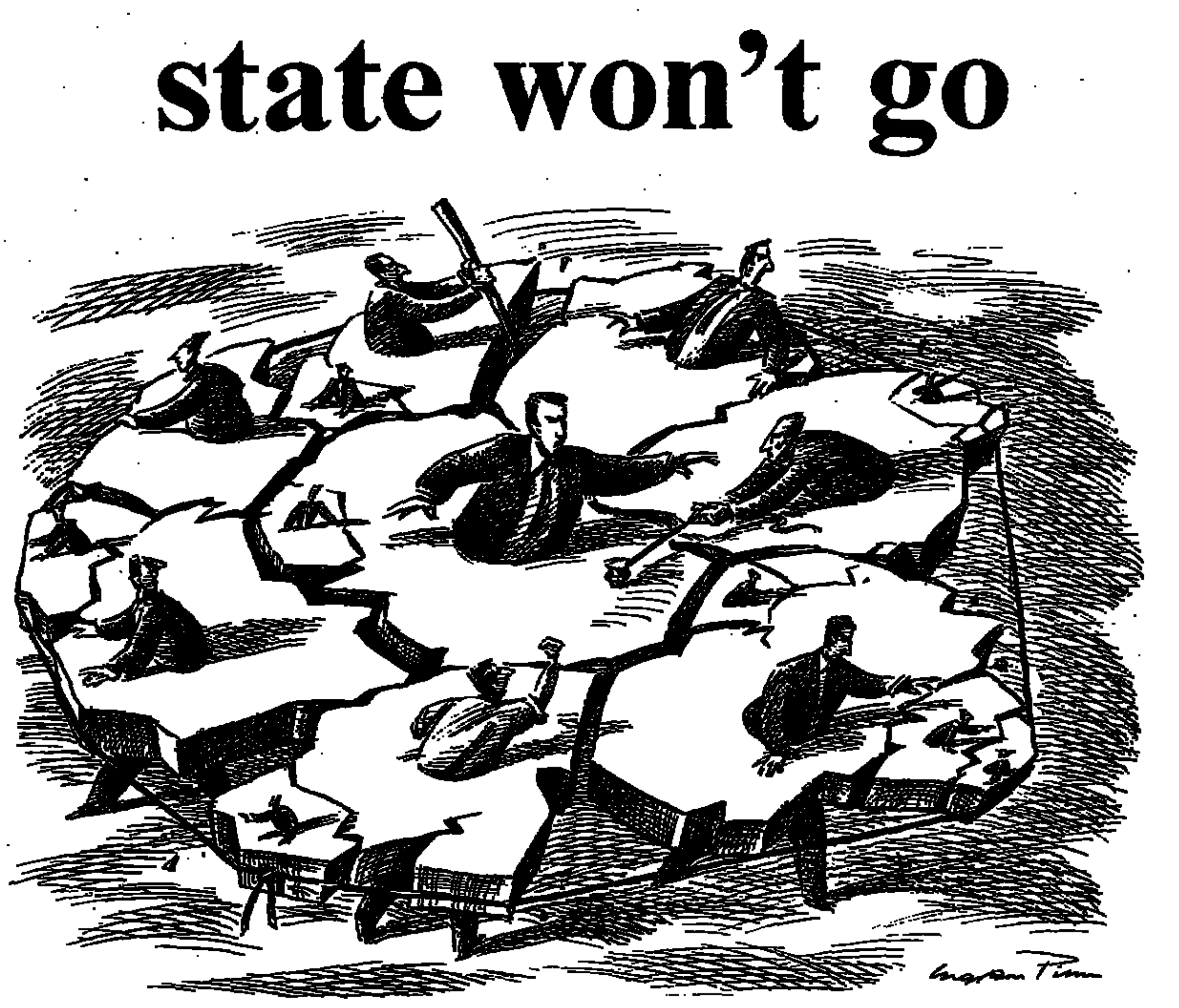
The labour market poses equally intractable problems. Average unemployment in the OECD area never fell below 6 per cent in the 1980s. It was a particular conundrum for the European Community, where the rate remained at over 8 per cent. The labour market remains the Achilles heel of the UK economy, where the OECD expects unemployment to rise almost to the same level as France, at 9.6 per cent, in the first half of 1992. Forecasters at the Paris-based organisation also predict a rather slower climb out of the recession than their counterparts at the British Treasury.

With a batch of altogether depressing statistics this week in the UK, pointing to dismal conditions in the car and housing markets, there is no reason to quarrel with the OECD's temperate optimism. But as the OECD report also remarks in its discussion of monetary policy and inflation, careful policy judgment is called for, because turning points in output are typically not discernible for some time after they have occurred.

None the less, opportunities to lower interest rates should be seized, since they remain very high in real terms. Reductions need not be at the expense of sterling's position within the exchange rate mechanism. The UK, the US and now Japan have all succeeded in cutting rates without serious damage to their respective currencies. It is quite possible that the prospect of higher real returns following lower interest rates will lead to a stronger currency, not a weaker one. The same may be true if the political prospects of the government are seen to improve further. And if the gamble fails, interest rates, a price like any other, can always be raised again.

The Yugoslav crisis has highlighted the centrifugal forces afflicting nation states in Europe, writes **Edward Mortimer**

When nation into state won't go



Whatever else may be said about the conflict in Yugoslavia, no-one should claim they were not warned. Ever since the death of Josip Broz Tito in 1980, and especially since the anti-communist revolutions that swept eastern Europe in 1989, prophets of doom have been predicting chaos and bloodshed between rival nationalities. Well, here they are. As if to mock the self-congratulatory paeans of the last two years, and to expose the fragility of the new European "architecture" put in place by the Paris summit last November, Yugoslavia is flying apart. The southern Slav identity, successfully asserted against older and larger multinational states in 1918, has broken down into smaller ethnic components.

The Croats and Slovenes have made the leap from "nationality" to "nation" to "nation-state". At least six of the 15 Soviet republics are doing the same, and Slovakia is not far off it. Nor will the phenomenon stop there. All over eastern Europe national identities are asserting or re-asserting themselves. (Even though most political scientists consider the nation as we now understand it a modern phenomenon, few if any nationalisms ever admit to starting from scratch. They usually look back to a golden age of statehood, however remote or mythical – though in this respect Slovenia does seem to be an exception.) And in all too many cases, starting with Serbs and Croats, their claims and aspirations are not mutually compatible.

But forewarned does not seem to have been forearmed. However widely predicted the explosion of ethnic animosities, Europe is not exactly ready with an answer; and even west Europeans have little to feel smug about. This very week, after all, Mr Peter Brooke, the Northern Ireland secretary, found himself obliged to end the talks he had taken such infinite pains to get started on the constitutional status of the province; and only a week ago in Seville a parcel bomb sent by Basque extremists killed four people and injured 30. The underlying issue in both cases is, precisely, the existence of rival national identities with incompatible claims.

"Big fleas have little fleas upon their backs to bite 'em. They in turn have lesser fleas, and so ad infinitum." So wrote Jonathan Swift, appropriately enough an Anglo-Irishman, nearly 300 years ago. In the "forum on the future of the nation state", to be broadcast next Wednesday on BBC Radio 4, a Croat speaker waxes eloquent on the Croat right to national independence, but no less indignant at the suggestion that Croatia's "national territory" might be amputated through the secession of districts with a local Serb majority. Irish nationalists who fought for independence from Britain in the name of national self-determination refused to concede the same right to Ulster unionists.

Mr Boris Yeltsin, who firmly asserts the sovereignty of the Russian republic (of which he is president) against the Soviet Union, has yet to recognise similar claims of sovereignty put forward by Tatars, Bashkirs and other ethnic groups on his republic's territory. Mr Zviad Gamsakhurdia, the Georgian nationalist leader, has no time for Abkhaz or South Ossetian self-determination. Nor do Slovak nationalists have much sympathy for the grievances of German, Hungarian and Gipsy "national minorities" within Slovakia.

Such examples can be multiplied indefinitely. Not that by listing them one provides a conclusive argument against the national aspirations of the larger group, as those resisting such aspirations sometimes appear to suppose; nor that every group's claim to statehood must be treated *a priori* as equally valid.

All kinds of criteria of viability can be used to distinguish one case from another: size of territory; homogeneity (or unanimity) of population; economic self-sufficiency (would any state pass nowadays, however large?); willingness to kill and be killed for the sake of independence; external recognition and support – this last being determined in some cases by a combination of the others, but in many cases by feelings of ethnic or religious solidarity or by desire to make trouble for the state from which secession is being sought.

A body of experts in some lakeside ivory tower could draw up a test to be applied throughout Europe or even worldwide. But in real life such things are decided by the balance of political forces at a given place and time. All too often it takes bloodshed to establish just where that balance lies; and all too often the losing side has hopes, realistic or otherwise, that if bloodshed is kept going long enough the balance will eventually change.

Some will argue that the break-up of Yugoslavia and the Soviet Union, and the strength of national feelings now revealed throughout eastern Europe, illustrate the folly of all attempts to unite different nations in a federal whole, and notably the danger of imposing a federal structure on the European Community. Yet it is surely a little facile to equate the authoritarian communist structures of eastern Europe with arrangements freely contracted between democratic states in western Europe. In fact most if not all of the east European nations now asserting their freedom express eagerness not for absolute sovereignty (which they know is an illusion) but for membership of an enlarged and fully-integrated EC.

Others, with equal conviction, will say that the chaos now breaking out in eastern Europe proves the wisdom of holding fast to existing state structures. That view tends to be favoured by the established governments of established states. It was expressed, for instance, by the Swiss foreign minister, Mr Rene Felber, last Monday. "We have every sympathy," he said, "for small peoples who aspire to affirm their national identity by democratic methods. But that does not mean we can accept the unilateral alteration of frontiers, which would only create new imbalances".

National identity is not eternal and immutable. It develops over time, and international law needs to be flexible enough to register the changes as they occur

The trouble with such statements, from the point of view of the "small peoples" in question, is that it gives the larger entity a veto on their independence. Whereas everyone would agree that two states should not be merged without the consent of both their peoples, it seems that two or more peoples can be held together in one state even if one of them wishes to leave, and even though one or both of them may not have been consulted when – perhaps in a less democratic or less peace-loving age – the union was first set up.

There is always room for dispute about the validity of an act of self-determination supposed to have taken place in the past, whether it be the decision of the Scottish parliament to accept the union with England in 1707, or – a much clearer case of duress – the "decision" of the Baltic states to join the Soviet Union in 1940. But in any case it is not obvious that past generations had the power to bind their successors in perpetuity. As Lord Russell (the historian Conrad Russell) points out in the Radio 4 forum, national identity is not something eternal and immutable. It develops over time, and international law needs to be flexible enough to register the changes that occur. Twenty years ago a majority of Slovenes might spontaneously have identified themselves as Yugoslavs. It is unlikely they would do so today.

In fact, international law is almost infinitely flexible in adjusting to changes after the event. What is much harder is to devise political structures, and above all to inculcate political attitudes, flexible enough to allow such changes to be registered by free vote, rather than through trial by battle.

Perhaps the Yugoslav experience is moving us in that direction. The way that many west European governments have adjusted their position in reaction to the use of force by the Yugoslav army (and to the impressive resistance of the Slovenes) has been a little too rapid to be comfortable. Can we really continue to demand that each would-be nation seeking international recognition must first pay a price in human lives? I suspect not, and that we shall see the Conference on Security and Co-operation in Europe (CSCE) moving, with much acrimonious dispute, towards some kind of requirement that a plebiscite on independence be held whenever and wherever a certain proportion of the adult citizens inhabiting a given area (of perhaps a certain minimum size and population) signs a petition demanding it.

Yet even if such a formula is agreed, it is no good imagining that all problems involving a clash of national identities will thereby be solved. Whatever the criteria established, there will always be minorities, too small or too scattered to make good their claim to self-determination, in the sense of separating themselves from the state to which they now belong and taking their homes with them.

In the past the "solution" to such problems has too often been to encourage or even force the people concerned to emigrate, or in extreme cases simply to exterminate them. As recently as 1989 the Bulgarian communist regime confronted its Turkish minority with a stark choice between complete assimilation (abandoning mother tongue and even first names) and emigration (abandoning homes and property). It may be that some east European states, or at any rate some political parties within them, are still contemplating such "solutions", but at least no European state is now willing to do so openly. All European governments would now admit, in principle, that the only real solution is somehow to make the minorities feel at home in the states where they live, so that they do not feel the need to move either themselves or the interstate borders.

But not all European governments have yet fully accepted that this can be achieved, on the one hand by maximising free contact across interstate borders (as is happening in western Europe), and on the other by guaranteeing the rights of the people concerned not only as individuals but as groups with their own national identity, culture and institutions. That means, for example, giving them the right to use their own language, not just for private purposes but in schools and the news media (including television), and allowing them an adequate share of state resources to enjoy that right in practice. This is far from being the case at present even in France, let alone in Romania or Turkey.

Still, here too there is progress. The remarks of the Swiss foreign minister quoted above were made at the opening session of an official CSCE Meeting of Experts on National Minorities, the holding of which was one of the decisions taken, on the Swiss government's suggestion, at last November's Paris summit. Its purpose is "to hold a thorough discussion on the issue of national minorities and of the rights of persons belonging to them, with due attention to the diversity of situations and to the legal, historical, political and economic backgrounds". The meeting, which lasts until July 19, is reviewing the implementation of existing CSCE commitments (notably the affirmation at last year's Copenhagen conference that "persons belonging to national minorities have the right freely to express, preserve and develop their ethnic, cultural, linguistic or religious identity and to maintain and develop their culture in all its aspects, free of any attempts at assimilation against their will"), and also considering "new measures" aimed at improving that implementation. Although its work has so far been overshadowed by the Yugoslav crisis, its conclusions could be of great importance in avoiding such crises in the future.

MAN IN THE NEWS

John Birt

The man with the plan goes to the top

By Raymond Snoddy

They didn't dance in the studios at BBC Television Centre this week when it was announced that John Birt would be the next director-general of the BBC.

But then there was no rejoicing either when he came from London Weekend Television to be deputy director-general of the corporation in 1987, bringing with him a radical agenda to re-organise the BBC's news and current affairs directorate. His arrival, and the way he handled those first few months, led to an explosion of something approaching hatred. It has largely passed now and Mr Birt as head of BBC journalism is accepted, not loved.

He would have preferred his appointment as director-general from March 1993 (when he will be 48 years old) to have been more generally welcomed in the organisation. He thinks that, in time, the staff who do not know him will come to realise he has the best interests of the institution at heart.

Above all his other skills, Mr Birt has perseverance that borders on courage in the pursuit of an objective he badly wants to reach or in implementing a plan he believes is right.

In 1976, with Peter Jay, Britain's former ambassador to Washington, he attacked the industry that fed him – television – for its "bias against understanding". The thesis was that television news was too directly driven by pictures and human interest stories and needed to explain more and put issues in context.

More than 15 years later he was able to implement the plan which he always accepted could only be carried out at the BBC rather than in the more fragmented ITV system.

But the main reason he came to the BBC in the first place was that he wanted to work for one of the most important institutions in Britain, albeit one in need of modernisation.

Seven years after that initial meeting in a London hotel with Mr Michael Checkland, whom he will replace, Mr Birt will get the chance to act on his modernisation plans.

It is not completely clear what motivates him – whether it is power, influence, or the desire to see his belief in his own strategic thinking recognised. The Oxford engineering graduate simply describes the BBC "as the biggest Meccano set in town". But certainly greed is not his main motivating force.

If he had stayed at LWT he would have inherited the managing director's job now occupied by Mr Greg Dyke. LWT's retention of its franchise would mean that Mr Dyke could be worth as much as £3m if the company's share price reaches a particular level.

John Birt had a second chance to become seriously rich when he was offered very large sums of money to lead an ITV franchise bid. He said no.

Probably he has wanted to be director-general of the BBC from the moment he arrived at the corporation. Maybe he took Mr Checkland at his word when the former BBC accountant said after his appointment that he only wanted to serve a single five-year term. Mr Checkland obviously changed his mind and was clearly disappointed to be offered a one-year extension to his contract rather than three years.

The decision means that Mr Birt will be the key player in the most crucial event facing the corporation – the renegotiation of its Royal Charter in 1996. He will have to face the big questions: what the future structure of the BBC should be and how it will respond to growing competition from cable and satellite television.

In the press release the BBC issued on Tuesday announcing Mr Birt's appointment he was quoted as saying: "The main tasks facing the BBC in the 1990s are to work out what programme services the BBC can best provide in a burgeoning radio and television market-place; and to ensure that – in all of its activities – the BBC is as lean and efficient as any of its competitors."

Unusually for a press release, the statement accurately reflected reality. Some flesh however can be put on the bones. By coincidence a committee set up last October and chaired by Mr Birt delivered its report as the succession was being decided. The committee was looking at BBC resources in an era when the government has decreed 25 per cent of production should go to independent companies. The options include the closing of some BBC studios but also, much more radically, the notion of giving producers cash budgets and the freedom to buy services outside the corporation if they are cheaper there. Such an idea if implemented would have enormous implications for productivity and employment levels and for the first time the BBC would know the total costs of individual programmes accurately.

On future funding, Mr Birt as director-general will argue that the BBC should continue to be funded by the licence fee. A BBC funded by either advertising or subscription would be a different organisation providing a different service. His is not planning an orderly retreat. When the market is right there could be an expansion into satellite services such as news, sport or arts through joint ventures, although licence-fee money could not be used for such ventures.

Mr Birt has already proved his ability to draw up rational plans, charm the BBC governors and leave both Conservative and Labour politicians with the belief that he is really "one of us". He has yet to prove that he can lead and motivate a large creative organisation like the BBC.

"John thinks everyone's mind is like his and that once he has drawn up a plan everyone will go off and implement it. It's not necessarily like that," said someone who knows him well.

Unlike the present director-general, Mr Birt is a former programme maker who has produced programmes as diverse as the comedy Nice Time and Weekend World, the current affairs programme where the "mission to explain" was first put into practice. As director of programmes at LWT he was responsible for Cilla Black and Blind date.

A former producer at Weekend World yesterday rated Mr Birt as one of the most intellectually able men he has ever met but also a man whose diffidence prevented professional colleagues from getting close. He recalled the reaction when John Birt was appointed LWT director of programmes in 1982:

"Everyone was aghast. How can this man who has created Weekend World, seen by many as dry and boring, take over as director of programmes? But he's very smart and knows what's needed. He didn't run LWT programmes like current affairs. I don't know that LWT ever had a better period than under his stewardship. He brought Cilla and Blind Date – a programme that made ITV's top 10."

As the BBC enters one of the most difficult periods in its history, some of those who are aghast at his appointment must hope that Mr Birt also knows what needs to be done at the corporation.

The privatised utilities have reported sharp profit rises. **Robert Peston** says this success could backfire

Flattering figures

Company results this week have thrown up an interesting conundrum. While businesses of every shape and size have been tumbling into loss, the privatised utilities have been reporting sharp profit rises. The regional electricity companies in particular have produced sparkling figures, up to 35 per cent better than the profits they forecast when they came to the market last autumn.

Did they deliberately make a low forecast, or have they simply performed much better than expected?

The financial performance is not, sadly, testimony to the power of privatisation to transform dull bureaucrats into entrepreneurial company directors. In fact, it is proof of the ability of dull bureaucrats to outwit the government in the run-up to a share sale.

Before any nationalised industry is privatised, there is a ritual row between the industry's managers and the government department sponsoring the sale. The government wants to maximise privatisation proceeds, by injecting as much debt as possible into the companies and pricing the shares as high as possible. However, the managers have exactly the opposite aim. The less debt they take and the lower the flotation price, the better the share price performance will be after privatisation – enhancing their reputations, enhancing their pay, and enhancing the value of share option schemes.

The share price and debt injections all depend on the level of profits the companies are forecast to make. If forecasts are high, then flotation proceeds will be high.

As with other privatisations, the electricity companies had a bitter row with the Treasury and the Department of Energy over the level of profits they could be expected to earn. Last summer, the chairman of at least one regional company threatened to resign over the quantity of debt the government was threatening to put into his company, because he claimed profits were unlikely to be enough to cope with it.

"It was all part of the bargaining process," commented one official resignedly. The profit forecasts have subsequently been shown to be far too low.

If the electricity forecast had been more accurate, the government might have been able to raise an extra £1bn – or that is what Mr Frank Dobson, the Labour party's energy spokesman, argues. "They spent more on advice from City firms than Lloyd's insurance market has lost and they still could not get the forecasts right," he says.

The House of Commons Public Accounts Committee, which scrutinises state asset sales, may investigate such claims. So senior Whitehall officials are anxious to point out that they never trusted the forecasts. When they priced the shares, they did it on the basis that profits could turn out to be about 10 per cent higher – though they could not predict the full extent of the disparity.

Nonetheless, there is a limit to the government's ability to control the forecasts, these officials say. They rely on the goodwill of companies for the supply of accurate financial information, which forms the basis of the forecasts. And in the end, if a company and the government disagree about a forecast, the company's directors cannot be coerced – pressure from the sponsoring department has its limits.

Nor are the electricity companies a special case. Mr Ian Byatt, director-general of Ofwat, the water industry regulator, said earlier this week that profits of the 10 water companies in their first year after privatisation were £238m higher than the government had expected.

Electricity companies

Pre-tax profits (£ million)

	1991 (forecast)	1991 (actual)
	Year to March 31	
Eastern	112.4	131.0
East Midland	88.9	119.1
London	115.6	142.0
Midland	91.9	110.0
Northern	73.1	89.2
Norweb	63.2	70.3
Seeboard	60.5	81.4
Southern	122.7	140.0
South Western	44.9	66.2
Yorkshire	115.6	135.0

Water companies

Pre-tax profits (£ million)

	1990*	1991
	Year to March 31	
Anglian	139.0	153.0
Northumbrian	54.8	46.9
North West	177.0	215.0
Severn Trent	217.0	249.0
Southern	84.1	97.1
South West	82.8	88.2
Thames	187.0	212.0
Welsh	97.0	128.0
Wessex	56.5	66.0
Yorkshire	101.3	114.1

* Adjusted for balance-sheet changes

So how do the companies explain the disparities? The pre-tax profits of Seeboard, the southern electricity company, were 35 per cent higher than forecast. Its chairman, Mr George Squair, gives three main reasons. The cost of buying electricity from the central market, or pool, was lower than expected, because the high oil price was not sustained when hostilities opened in the Gulf. Winter was unexpectedly cold, so demand for power was greater than estimated. And the cash generated by these increased sales led to a reduction in the interest rate.

But the underlying profit increase for some regional companies may have been even greater than the reported rise, according to financial analysts. To avoid an even bigger embarrassment, some regional companies may have made additional provisions to cover the future costs of reorganisations or changes in pension legislation.

No company has admitted yet that its provisions are significantly different from those they allowed for in their flotation prospectuses. Mr John Harris, chairman of East Midlands Electricity, whose pre-tax profits, at £119.1m, were 34 per cent higher than forecast, is adamant that his company is guiltless. Mr Squair says that the changes in provisions at his company are not material.

The companies' long-term performance could indeed be damaged by the extent to which they have beaten their forecasts. The business prospects of all the utilities are determined to a great extent by the prices which their respective regulators allow them to charge. If the regulator believes profits are excessive, then he may reduce the amount by which tariffs can be increased.

That is why both electricity and water shares have been falling over the past six weeks, despite the buoyant financial results. The share price slide dates from a warning made in May by Mr Byatt that water companies should take care to avoid unexpectedly high increases in profits.

Professor Stephen Littlechild, director-general of electricity supply, is studying the electricity companies' results to compare "what has actually happened" against the expectations the government had when it set the price control regime. He says he has not decided whether he will make a statement when the review is complete.

If the electricity companies' figures are regarded as excessive by Prof Littlechild, then the companies' directors have failed in the most difficult and important part of their job.

The companies are *de facto* monopolies. Economic conditions are far less important to their profitability than meteorological conditions. In these key senses, all the privatised utilities are different from most private sector companies. In other words, the privatised utilitised present far less of a management challenge.

Nonetheless, directors of the electricity companies and the other utilities insist on and receive private sector rates of pay. When the accounts of the regional companies are published in the coming weeks, chairmen's remuneration in the year just completed will have shown to have almost doubled to well over £100,000 a year, and in the current period some will earn twice that. Details will also be given of generous share option schemes.

Whatever consumers may feel about the remuneration, shareholders will not begrudge it if only the utilities can show a bit more political acumen. Having outwitted the government, now they must use their persuasive powers on their regulators.

Regiments set to fall out

David White charts an intense rearguard campaign

Stirrings in the officers' messes, gatherings of retired colonels, remonstrations in the letters columns of The Times and the Daily Telegraph: across Britain there is the sound of regimental silver rattling.

An announcement on which army battalions are condemned to merger or oblivion is due in about a fortnight. In the month since the planned size of the army was set – amounting to 104,000 trained soldiers, a reduction of a quarter – speculation has been preying on morale.

A rearguard action is still being fought in Whitehall to stop the infantry being cut as low as 38 battalions from the current 55. This would be five fewer than senior officers reckoned on last year, and there is deep discomfort in the army about whether it will now have sufficient strength to meet all tasks placed upon it. The armoured corps, dominated by traditional cavalry regiments, is expected to come down from 19 to 12 battalions, including one for training. A regiment can have any number of battalions; most have just one.

Resentment about the loss of UK regimental identities will be the keener as the new structure is expected to make room for the retention of two of Britain's Nepalese-manned Gurkha battalions.

Political lobbying is intense. "There will be the devil to pay if anything should be done with them," Sir James Spicer, Conservative MP and former major, said in defence of the Devon and Dorset Regiment this week.

A Save Our Scottish Battalions campaign has been launched, reminiscent of the one which saved the Argyll and Sutherland Highlanders from extinction in 1968.

Supporters of the Royal Welch Fusiliers, one of the few "line" regiments (standard infantry, not guards) to have got this far without being amalgamated, went to parliament this week with a 90,000-name petition and a regimental goat. They are appalled at rumours of an impending merger with the Cheshire Regiment, whose recruiting area is next door to their own main stamping-ground of north Wales: "totally impracticable", according to Major Tim Herbert (Rtd), regimental secretary. The Cheshires, also spared in earlier re-organisations, are not happy about it either.

The Royal Welch, now stationed in Berlin, accept that a merger with the other Welsh line regiment, the Royal Regiment of Wales, would work better. But they argue that the principality would then be under-represented. Welsh regiments, they say, have never had problems keeping up to strength.

The British army has been through this before: in 1881, when infantry regiments were paired off, in 1922, and over a period between 1958 and 1971, the titles have changed or have disappeared. What happened, for instance to the Buffs (as in Sir Francis Doyle's rhyme, "Last night among his fellow roughs,/He jested quaffed and swore;/A drunken private of the Buffs . . . .")? Once the 3rd Regiment of Foot, going back to Charles II, they are now, after two amalgamations, subsumed in The Queen's Regiment, along with nine others.

Customs – the piping of the haggis, the eating of the leek, the trooping of the swede (you had better ask a member of the Royal Hampshires to explain that) – and idiosyncrasies in dress are as jealously held to as battle honours. Army berets come in 10 different colours. The Royal Welch wear a "flash" of back ribbons at the back of the collar because they were the last regiment to wear pigtails. The Gloucestershire Regiment has a badge at the back of the cap to commemorate an unorthodox manoeuvre in Alexandria in 1801. The 16th/5th The Queen's Royal Lancers, a cavalry regiment, wear their cross-straps the wrong way round.

It is a tribal system in which almost all manage to consider themselves superior. A corporal in the Royal Scots, the senior line regiment dating from 1633, took offence at the tag "élite" which the media applied to Iraq's Republican Guards. "They won't feel so bloody élite," he said, "when they meet the Royal Jocks".

County designations for regiments were a late Victorian invention, but regional recruiting bases have come to play a big part in regimental loyalties. Local areas of Scotland, Wales, the north, Midlands, south and south-west of England are represented by vulnerable single-battalion regiments, and it is there that feelings about impending changes run highest.

However, that is not all there is to the army. There are also regiments of two or more battalions. The Royal Regiment of Artillery has other regiments inside it. But like transport, signals, engineering and other arms, organised in larger corps, it does its recruiting on a national basis.

Infantry and cavalry together make up less than 40 per cent of army manpower. Gunners and engineers have no particular regional link, and carry no colours. Their ethos is different, but appears to work equally well. The Parachute Regiment, now with three battalions, also recruits country-wide, commanding a different kind of loyalty from other infantry units.

The regimental structure has its army critics. They say it is outdated, snobbish, inflexible and inappropriate in an age when soldiers train to go into battle not in self-contained battalions but in battle groups – mixes of infantry, armour, artillery and support arms.

The idea of establishing instead a single "corps of infantry" has been discussed but, at least for now, rejected. "I don't think we could recruit a corps of infantry," commented one senior officer.

It may be different from the way the US or German armies function, but not unique. In Europe both the French and Danes have similar regimental attachments.

The case put forward for the regiment is that it is good for cohesion and recruitment. It is home to its members. The battalion of 650 men is a school-size unit. It fosters intimacy. Sons often follow fathers into the same regiment. For officers, taking command of one's own battalion as a lieutenant-colonel is often seen as the pinnacle of an army career. The system is flexible enough, if that post is taken, to make it possible, if a little tricky, to go to command another.

The biggest problem with the system is just what is happening now: it defies anyone seeking to cut it back. Perhaps it is that armies, anyway, tend to resist change. But for all the emotions, there is nothing from the past to suggest that new regimental names command less loyalty than old ones. As one infantry captain said: "Any soldier at the end of the day will just turn to the right and carry on."

The jaws are working hard these days, but the upper lips are as stiff as ever.

LETTERS

No volte face on access by BT competitors to exchange lines

From Mr David Harrington.

Sir, The Lex Column took a side-swipe (July 4) at what it called Sir Bryan Carsberg's *volte face* in deciding to apply common sense to the rules under which BT's competitors will pay to access its exchanges lines.

Far from executing a *volte face*, OFTEL has once more demonstrated an approach and flexibility which telecommunications consumers find so refreshing, but which is so often absent elsewhere. In this case, Sir Bryan Carsberg has listened to our proposals for a realistic extension of competition down to the all-important area of lines into the home and office, and has made a response which, in the long run, will benefit everybody.

His decision (to tilt the playing field temporarily in favour of BT's competitors) is surely a re-application of the approach taken several years ago which allowed Cable & Wireless to enter BT's monopoly market, but on favoured terms in order to allow Mercury time to attain critical mass.

The principle of competition has once more been upheld, and even BT has both publicly and privately acknowledged that the benefits it and we are now enjoying, post-deregulation, are due in no small way to the competitive spur.

David Harrington,
director general,
Telecommunications Managers Association,
40 Chatsworth Parade,
Petts Wood,
Orpington, Kent

Retaining competition among marketmakers

From Mr A Neil Ryder.

Sir, You must be right ("Monopoly on the exchange", July 3) to warn that competitive market-making should not be abandoned lightly, especially after years of listening to the London Stock Exchange extolling the virtues of its system against the specialist system of the New York exchange. However, nor should we retain a system which is so clearly failing both issuers and investors.

Since Big Bang, companies have found the market for their shares becoming increasingly "opaque"; instead of a small number of jobbers who knew exactly what was happening in the market for the shares they traded, large companies now face a dozen or more marketmakers, none of which approaches an overall view, while small companies can find themselves with no effective market at all. Investors suffer equally – if not more.

Your editorial advocates close regulation to ensure that monopoly marketmakers do not make indecent profits, but why not argue for the retention of some elements of competition?

Surely the exchange could determine the number of marketmakers who will be allowed to trade every stock by reference to the volume of trade. This would allow equal treatment of all companies, rather than different systems for large and small companies with the inevitable arguments over those in the middle.

The right to join this privileged group could then be opened to annual competitive tender, under a system which took into account suitability and past record as well as the bid itself.

A system along these lines – as long as it were open to scrutiny – would surely satisfy the OFT as well as both sides of the market.

A Neil Ryder,
Sage Partners,
Endell Court,
27a Endell Street,
London WC2

Languages as a plank in an election platform

From Mr John Adams.

Sir, Paddy Ashdown, the Liberal Democrat leader, speaks fluent French, Mandarin and Dayak and has a smattering of German and several of the less well-known south-east Asian dialects. This contrasts with other political leaders and possibly accounts for his rather more enlightened attitudes to foreign affairs. He is very enthusiastic about the learning of languages and I am hopeful that his party will be prepared to make foreign language training an important plank in its next election platform.

If it did it would be a first in British politics, and would reflect a past failure that might account for Britain's relative lack of success in exports.

Foreign language training could be stressed in relation to industry and education, and it is to be hoped that any party promising progress in these areas would not "chicken out" at the last minute as did the present government with a national curriculum which is rather weak in foreign languages.

It would have to recognise that French, while important and the most commonly taught language, will not serve for all purposes. It should provide incentives (including financial ones), and/or encourage industry to do so, for people to learn a language.

Barclays Bank recently made fun of British industry's shortcomings in this area. I fear this attitude is widespread. It would be courageous but correct for the Liberal Democrats to try to make an important contribution to our export effort. As it is the most European (and international) of our parties, I would expect it do do so.

John Adams,
chairman, Yorks Regional Society of Institute of Linguists,
5 Victoria Road,
Lightcliffe,
Halifax HX3 8DF

Savers face a depressing picture over their investment income

From Mr Hugh Rippon.

Sir, The two articles on the Labour party's tax plans ("Finance and the Family", June 29) make depressing reading, particularly the references to the reimposition of investment income surcharge, which is dogmatic, regressive and confiscatory, especially since for most small investors a portfolio has been built up out of income on which tax and National Insurance contributions (NICs) have already been paid.

What makes things worse is that this time round building society deposits are to be included (your authors missed this). Moreover, the cut-off limit is £3,000 annual investment income, which seems to take insufficient account of inflation since we last suffered this impost.

The Labour shadow chancellor, Mr John Smith, says that it is anomalous that "unearned income" should not pay NICs. Why should this be any more anomalous than income from a pension fund? He also says that "pensioners" will be exempt, but what does he mean by "pensioner"? Does he include individuals who have been obliged to take early retirement through redundancy?

The Labour party does not appear to have learned very much since the 1960s. It does not like small savers, and yet saving and self-sufficiency are both good, respectable working-class traditions.

The Labour party says that there are very few individuals with an investment income of more than £3,000 a year. Surely the aim should be to encourage more, not to put them off.

Hugh Rippon,
75 Rochester Road,
Coventry CV5 6AF

PO standards of performance

From Sir Bryan Nicholson.

Sir, At the Post Office we monitor and publish our standards of service in a way that "commands respect" exactly as Maurice Healy suggests (Personal View, July 3).

Since 1988 our letter service performance has been independently measured, to a system supported by our watchdog body, the Post Office Users' National Council.

We don't set the standards. We agree year-on-year improvement targets with POUNC – targets which we have beaten every year.

Bryan Nicholson,
chairman and chief executive,
The Post Office,
30 St James's Square,
London SW1

Fax service

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INTERNATIONAL COMPANIES AND FINANCE

Siemens outlook brighter as new orders surge 18%

By Andrew Fisher in Paris

SIEMENS, the German electrical and electronics group, said yesterday its prospects had improved in the last six months. It now hopes for a slight increase in net income for the year ending September 1991.

Mr Karlheinz Kaske, chief executive, said yesterday new orders booked in the first eight months of 1990-91 rose by 18 per cent to DM54.3bn ($29.6bn). Turnover was 11 per cent higher at DM44.5bn.

Activities added last year, mainly those of Nixdorf Computer and Plessey of the UK, accounted for 7 percentage points of the business growth. Expansion in east Germany had also swelled the order inflow, which should total nearly DM80bn for the full year, against the DM77bn forecast earlier.

In 1991-92, orders should expand further to around DM85bn, with turnover up to around DM80bn from the expected DM72bn in 1990-91. This will represent a 25 per cent growth in business volume over two years, Mr Kaske said.

He stressed, however, that Siemens' results were still being burdened by the integration of loss-making Nixdorf and high development costs in semiconductors, a sector in which it had just announced a joint production venture with IBM of the US. The agreement with IBM would boost Siemens' efforts to bring down costs of memory chip production.

The co-operation with IBM on 16-megabit chips would also help strengthen the European electrical and electronic industry. Nor would the contract with IBM prevent Siemens from working with another partner – SGS-Thomson, the Italian-French concern, has vainly tried to link up with Siemens and Philips of the Netherlands – once the production co-operation at IBM's French plant was under way.

The group has already reported Nixdorf losses of DM380m in the first half of this year, though total Siemens net profits rose by 6 per cent to DM793m.

Mr Karl-Hermann Baumann, finance director, said Nixdorf's loss would be lower in the second half. Mr Kaske said his more optimistic view of profits for 1990-91 reflected a surge of new telecommunications, energy, and railway orders.

The higher dollar and the end of the Gulf war had also brightened the outlook.

He said: "If conditions in the capital and currency markets do not deteriorate again, we may even be able to report an increase, although slight."

Last year, net profits rose by 6 per cent to DM1.7bn. Mr Baumann said Nixdorf's losses would lead to a drop in Siemens' operating profits this year, but this would be offset by earnings on the group's large holdings of securities. A stronger earnings trend, in line with the rising in orders, would depend on progress at Nixdorf and in semiconductors.

Start-up costs of east German operations would also affect profits by more than DM100m this year. Earnings per share would be similar to last year's DM42.

The returns on turnover were expected to slip from 2.6 per cent to 2.4 per cent, though Mr Baumann noted that Siemens' profits on securities were not dependent on turnover performance.

Omni opts to sell all its assets

By William Dullforce in Geneva

OMNI HOLDING, the parent company for the crumbling industrial and financial empire of Mr Werner Rey, has opted for liquidation and the sale of all its assets. A settlement will be proposed to creditors at a meeting in Berne on September 4.

S.G. Warburg's representative office in Geneva has been given the mandate to sell Omni's largest remaining asset, a 30 per cent stake in Sulzer, the big Swiss engineering group.

Omni has been under court protection from its creditors since April 3. Protection has just been extended by two months until October 2.

Under an agreement between Sulzer and Coopers & Lybrand, Basle, the court-appointed administrator for Omni, the Sulzer stake will be sold in two lots, of 20 per cent and 10 per cent.

Sulzer itself has agreed to buy 10 per cent at a guaranteed price of SFr6,000 per share, if no other buyer is found, according to Omni. This week the price has fluctuated around SFr4,800 on the Swiss stock exchange.

Mr Jürg Neck, Omni's spokesman, said Warburg had been mandated to find "first name industrial buyers".

Sulzer, whose statutes allow it to limit strictly the number of shares it will register for any one shareholder, has undertaken either to register all the shares sold or to buy them itself at the price offered by the outside company, Mr Neck said.

A price of SFr6,000 a share would value the 30 per cent Omni/Rey stake at about SFr390m ($250m).

In April, a Berne civil court judge estimated Omni's debts at roughly SFr1.7bn. Since then Omni has sold a majority interest in Adia, the employment and services group, for SFr840m.

However it had to buy 100,000 of the 700,000 shares involved from former Adia executives. As part of the deal, Omni paid off a SFr192m debt to Adia.

Matsushita and Philips in product deal

By Michael Skapinker

MATSUSHITA of Japan, the world's largest consumer electronics company, formally gave its backing yesterday to a new digital taping system to be introduced by Philips of the Netherlands.

Matsushita's support is an important step in Philips' attempt to establish its Digital Compact Cassette (DCC) as a world standard in preference to two other systems developed by Sony of Japan.

Philips said yesterday Matsushita would be a co-licensor of DCC, which will be introduced next year. DCC machines play both digitally-recorded tapes and conventional audio cassettes. The digitally-recorded tapes have a sound quality similar to that of compact discs.

Sony introduced another system, Digital Audio Tape (DAT), in 1986, but the company now accepts that it is unlikely to become a mass-market product. DAT machines also play digitally-recorded tapes, but, unlike DCC recorders, cannot play conventional cassettes.

DAT has been shunned by the music companies, which feared that it would lead to an increase in pirate taping.

Sony also announced the Mini Disc earlier this year, in what was widely seen as an attempt to stem support for the Philips system. The Sony product is a miniature version of the CD with the added advantage of a recording facility.

Probe into Deutsche Bank deals intensifies

By Katharine Campbell in Frankfurt

THE PROBE into the securities department of Deutsche Bank deepened yesterday as the insider commission of the Frankfurt Stock Exchange revealed it had accumulated sufficient evidence in preliminary enquiries to proceed with a formal investigation.

Germany's leading bank had earlier this week said its own internal inquiry had turned up no breach of insider rules.

While the commission did not name the parties it was investigating, Deutsche Bank last night revealed the probe was focusing on Mr Barthold von Ribbentrop, the stock exchange department chief; Mr Klaus Nagel, equity trading head; and Mr Manfred Mertens, former head of the equity warrants department.

On Monday, the bank dismissed Mr Mertens claiming, however, it had done so because he had disobeyed house rules unconnected with his activities in the stock exchange department.

At the time it sought to clear the name of three other senior officials, adding that "there has been no question of a breach of insider rules".

The bank said it had no new information, but that it would continue to support fully the commission's enquiries.

Mr Friedrich-Carl zur Megede, the retired judge heading the stock exchange commission, said that while the case was first picked up because of "questionable allegations" in an anonymous letter, the commission now had its own evidence to warrant suspicions that "trader and customer adviser rules" had been breached. The commission says the probe is focusing on "transactions in advance of buy or sell recommendations of equity warrants".

The City of Frankfurt public prosecutors also this week began investigating a number of Deutsche Bank officials concerning possible tax evasion.

Italy to launch bonds futures

THE ITALIAN treasury plans to launch its own futures market for government bonds by the middle of next year, AP-DJ reports from Milan.

The treasury said it was preparing the institutional, organisational and regulatory structures for a screen-based futures trading system together with the Bank of Italy and the stock market regulatory agency Consob.

Last wave crashes over remnants of Bond's empire

By Mark Westfield in Sydney and Ray Bashford in London

Mr Alan Bond's main personal investment vehicle Dallhold Investments was placed in provisional liquidation yesterday, signalling the end of the line for the once high-flying Australian businessman.

A federal court in Sydney appointed a provisional liquidator after being told Dallhold had total debts "well in excess" of A$1bn (US$760m), offset by assets of just A$41m. The assets consisted mainly of artworks, including 61 early Australian paintings valued at A$5.5m and a Renoir valued at A$3.5m, plus some property.

Mr Alan Bond, who started as a property developer in and around his adopted home city of Perth, Western Australia, in the early 1970s, expanded through aggressive borrowing to become the head of one of Australia's top 20 companies before the October 1987 share market crash.

Bond Corporation became a big investor in international property, television, natural resources, and brewing. Like most of Bond Corp's investments acquired during the 1986 and 1987 bull market, the foray cost the group heavily. The group debt rose dramatically during a four-year buying spree, to an estimated US$10bn.

Mr Bond's victory in the America's Cup in 1985 bought his name to international attention. The win attracted intense adulation in Australia, where he was lauded by Mr Bob Hawke, the prime minister, as an entrepreneurial hero.

His public displays of private wealth were famous, and his lifestyle became spiced with personal aircraft, yachts and country estates. He developed a taste for expensive art and, in December 1988, became the owner of "Irises" by Vincent Van Gogh after arranging a loan for part of the US$49m auction price.

Mr Bond made his first big international expansion through the purchase of G. Heileman, the US brewer in September 1987, for US$1.3bn. At the same time, he was initiating a policy of expansion in the UK which included the acquisition of shareholdings in Allied Lyons, the diversified food and drink group; Lonrho, the international conglomerate; TV-am; M&G, Britain's biggest unit trust company; and Airship Industries.

The purchase of a 20 per cent holding in Lonrho, which is headed by Mr Roland "Tiny" Rowland, is seen by many close watchers of the Bond group as a turning in the group's history. The preparation of several reports by Lonrho, with a damning conclusion that the group was "technically insolvent", helped undermine international and domestic investor confidence.

Mr Bond was forced to dispose of the Lonrho stake at a loss as part of a general asset disposal programme.

Last March, he was remanded on bail until September to face charges of dishonesty. He is also facing investigations on several other issues.

In court yesterday, Dallhold's 54 per cent holding in Bond Corporation was listed at A$1.5m in a fire sale or A$5.5m in an orderly sale.

Counsel for former Bond Corp subsidiary J.N. Taylor, which sought appointment of a liquidator, supported by finance company Mercantile Credit, described Dallhold as being "manifestly insolvent". J.N. Taylor is owed A$101m by Dallhold, and Mercantile Credit A$671,000.

The appointment of a provisional liquidator comes shortly after Dallhold's main syndicate banks, which are owed US$350m, seized the company's 72 per cent shareholding in its main cash-flow operation, the Greenvale nickel mill in Queensland.

The provisional liquidator's main task will be to enforce Mr Alan Bond's personal guarantee over the syndicate's loans to Dallhold. The syndicate consists of Bank of New Zealand, Hongkong and Shanghai Banking Corporation and Tricontinental, the collapsed Australian merchant bank

J.N. Taylor and Mercantile Credit sought the appointment of a provisional liquidator on the grounds that Dallhold directors had been realising assets "to the detriment" of some lenders to the group.

They were referring mainly to the granting to the National Australia Bank – owed A$12.5m – of a charge over various artworks.

Alan Bond: his public displays of wealth were famous

In an affidavit to the court, Mr Michael Cross, Dallhold's managing director, confirmed that the group held assets of just A$41m and undisputed liabilities of "well in excess of A$1bn".

Mr Cross's affidavit said that the Queensland joint venture could be worth as little as US$200m if Dallhold had to seek a buyer. This compares with the A$1.3bn peak valuation of Dallhold's share in the nickel project three years ago.

Bond Corporation hit its nadir in 1990 when it announced accumulated losses of A$2.25bn, revised later to A$1.6bn following the sale of its main operating business, the Swan, Castlemaine and Tooheys breweries to former associate Bell Resources and New Zealand brewer Lion Nathan.

Following a series of meetings by shareholders and creditors, Bond Corp has approval for a complex scheme of arrangement which will convert unsecured creditors owed A$1.1bn into controlling shareholders in the group, with equity holders emerging with 10 per cent of the reconstructed company.

Dallhold will emerge with about 5 per cent of the slimmed-down group. The scheme still requires the approval of the courts and the Australian Stock Exchange before the securities can be re-listed.

De Havilland to reduce its workforce by 7%

DE HAVILLAND, the Canadian commuter aircraft-maker whose future ownership is up in the air, is laying off 7 per cent of its workforce and has warned of further retrenchments to come, writes Bernard Simon in Toronto.

The Toronto-based company said the lay-offs were the result of a slower order intake over the past year, and were not related to the controversial ownership bid by a European consortium comprising Aerospatiale of France and Italy's Alenia. De Havilland is currently a division of the US aircraft-maker Boeing.

The Canadian government recently blocked the French-Italian proposal on the grounds that it failed to provide a "net benefit" to Canada. Alenia and Aerospatiale have until July 20 to come up with an alternative offer. Investment Canada, the government foreign investment review agency, declined to say whether the European consortium had yet submitted a revised proposal.

Aerospatiale and Alenia earlier warned that even if their bid was successful, workers at de Havilland would probably have to make sacrifices to ensure the company's viability.

The first round of lay-offs affects 350 workers involved in the production of the Dash 8 aircraft. The production rate is being scaled back from 5 to 4.5 aircraft a month.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1991	Low 1991
Gold per troy oz.	$370.25	+0.85	$361.25	$392.25	$353.55
Silver Per troy oz	280.55p	+4.0	273.40p	280.55	183.35p
Aluminium 99.7% (cash)	$1328	+2.5	$1536	$1570	$1227
Copper Grade A (cash)	£1403.25	+6.5	£1534	£1472	£1241.0
Lead(cash)	£345.5	+0.5	£511	£382.5	£292.5
Nickel (cash)	$8975	+522.5	$8620	$9237.5	$8110
Zinc SHG (cash)	$1073	+7	$1747	$1430	$1039
Tin (cash)	$5685	-30	$5945	$5915	$5470
Cocoa Futures (Sep)	£609	+12	£796	£714	£596
Coffee Futures (Sep)	£556	+5	£585	£613	£520
Sugar (LDP Raw)	$264	nc	$322.9	$264	$194
Barley Futures (Nov)	£113.75	-0.50	£114.70	£121.50	£107.75
Wheat Futures (Nov)	£115.0	-0.30	£118.30	£141.10	£111.80
Cotton Outlook A Index	82.00c	-1.3	92.70c	86.25c	81.70c
Wool (64s Super)	387p	nc	478p	421p	329p
Oil (Brent Blend)	$18.925x	+0.225	$15.85	$29.15	$16.75

Per tonne unless otherwise stated. †Unquoted. p-pence/kg, c-cents lb, x-Aug.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	578	580	582 577
Sep	609	611	612 606
Dec	647	648	648 644
Mar	687	688	687 685
May	710	711	710 710
Jul	730	733	732 730
Sep	750		752 750

Turnover: 4295 (3086) lots of 10 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover - lots
Cash	1327-9	1330-1	1328	1327-9		
3 months	1358-9	1360-1	1364/1363	1358-9	1363-4	175,753lots

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.50	72.42	72.70	72.42
Oct	74.85	74.77	74.90	74.65
Dec	75.55	75.55	75.62	75.37
Feb	74.72	74.75	74.82	74.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	70.75	71.16	70.60	70.60
Oct	72.65	73.05	73.00	72.55
Dec	70.54	71.08	71.10	70.43
Mar	71.50	72.20	72.30	71.50
May	72.30	72.90	72.95	72.30
Jul	72.90	73.50	73.50	73.04
Oct	69.55	70.00	0	0

London Markets

New York

Chicago

هكذا منه بالأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down as pound gains

THE DOLLAR finished towards the bottom of its range yesterday, following disappointment at the June US employment data.

A rise to 7.0 from 6.9 per cent in the unemployment rate was not the cause of the disappointment, even though its was the highest figure since October 1986. The unemployment rate had been widely forecast, but a fall of 50,000 in non-farm payrolls was worse than expected, despite quite a wide variation in forecasts.

The dollar touched a low of DM1.8235, but rallied on an upward revision in May non-farm payrolls to a rise of 119,000 from the previously reported gain of 59,000.

The latest figures on unemployment claims were also more encouraging than the the June payrolls figure suggested. New applications for unemployment insurance benefits fell to a seasonally adjusted 423,000 in the week ended June 22, a decrease of 8,000 from the previous week. The four-week seasonally adjusted moving average fell to 425,750 from 429,750.

At the London close the dollar had fallen to DM1.8265 from DM1.8350; to Y138.35 from Y139.10; to SFr1.5750 from SFr1.5830; and to FFr6.1875 from FFr6.2225. On Bank of England figures the dollar's index declined to 68.4 from 68.7.

Sterling rose above its central rate of DM2.95 within the European exchange rate mechanism. The pound was supported by the action of the Bank of England, in its daily operations on the London money market, underlining the present UK bank base rate level of 11¼ per cent.

There had been some early speculation about a rate cut yesterday and the lack of any reduction helped push sterling up ¾ pfennig on the day. It rose to DM2.9525 from DM2.9450, while climbing to FFr10.0000 from FFr9.9875.

The pound also gained 1.10 cents to $1.6160 and was firmer against the Swiss franc and Japanese yen, rising to SFr2.5450 from SFr2.5400 and to Y223.50 from Y223.25. Sterling's index rose 0.3 to 89.8.

Figures from the European Commission showed members of the ERM steady, with the pound remaining the third weakest currency, above the French franc and Danish krone. The D-Mark was also steady, showing little reaction to a widening of Germany's current account deficit to DM4.0bn in May from DM2.6bn in April. In Paris the D-Mark was fixed virtually unchanged against the French franc, easing very slightly to FFR3.3893 from FFr3.3895

The Spanish peseta was unchanged at the top of the ERM, 4.96 per cent above the weakest placed Danish krone, but well within its allowed limit. At the Paris fixing the peseta declined to FFr5.4000 per 100 pesetas from FFr5.4045.

£ IN NEW YORK

July 5	Latest	Previous Close
£ Spot	1.6160-1.6170	1.6060-1.6070
1 month	0.72-0.70pm	0.74-0.72pm
3 months	1.94-1.92pm	2.02-1.99pm
12 months	5.58-5.50pm	5.65-5.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 5	Previous
8.30 am	89.5	89.5
9.00 am	89.5	89.5
10.00 am	89.5	89.4
11.00 am	89.5	89.5
Noon	89.6	89.5
1.00 pm	89.6	89.5
2.00 pm	89.7	89.5
3.00 pm	89.7	89.5
4.00 pm	89.8	89.5

CURRENCY MOVEMENTS

Jul 5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.8	−21.6
U.S Dollar	68.4	−10.0
Canadian Dollar	107.2	+4.1
Austrian Schilling	108.0	+10.8
Belgian Franc	109.3	−3.2
Danish Krone	106.6	+1.9
D-Mark	115.0	+22.3
Swiss Franc	109.3	+17.9
Dutch Guilder	112.1	+14.6
French Franc	101.1	−14.3
Lira	97.4	−20.4
Yen	139.9	+69.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jul 3

CURRENCY RATES

Jul 5	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.814931	0.697079
U.S Dollar	5.50	1.30715	1.12021
Canadian $	8.90	1.49316	1.28028
Austrian Sch	7	16.8635	14.4619
Belgian Franc	7.50	49.2632	42.2794
Danish Krone	9	9.25920	7.94450
D-Mark	6.50	2.39470	2.05502
Dutch Guilder	7.75	2.69704	2.31390
French Franc	10¼	8.11479	6.96432
Italian Lira	11½	1782.31	1529.08
Japanese Yen	6	181.955	155.261
Norway Krone	8	9.33305	8.01899
Spanish Peseta	–	150.028	128.987
Swedish Krona	10.00	8.65399	7.43481
Swiss Franc	6.00	2.06595	1.77497
Greek Drach	19	N/A	224.489
Irish Punt	–	N/A	0.767580

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jul 3

OTHER CURRENCIES

Jul 5	£	$
Argentina	15973.5 - 15989.5	9900.00 - 9910.00
Australia	2.0995 - 2.1015	1.3060 - 1.3070
Brazil	511.650 - 512.600	317.100 - 317.400
Finland	7.0315 - 7.0320	4.3600 - 4.3630
Greece	318.600 - 324.950	198.850 - 202.850
Hong Kong	12.5090 - 12.5250	7.7660 - 7.7680
Iran	112.50*	70.00*
Korea(Sth)	1159.65 - 1178.35	725.90 - 731.70
Kuwait	0.47355 - 0.47365	0.29495 - 0.29505
Luxembourg	60.80 - 60.90	37.60 - 37.70
Malaysia	4.4870 - 4.4950	2.7925 - 2.7945
Mexico	4864.70 - 4870.85	3015.00 - 3016.00

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6160	1.6089	1.5967	1.5829	1.5607
D-mark	2.9525	2.9472	2.9400	2.9343	2.9209
French Fr.	10.000	9.9880	9.9710	9.9550	9.9125
Swiss Fr.	2.5450	2.5380	2.5261	2.5111	2.4789
Yen	223.50	222.78	221.58	219.91	216.70

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.987	−3.48	4.96	60
Italian Lira	1538.24	1529.08	−0.60	1.91	34
Belgian Franc	42.4032	42.2794	−0.29	1.60	18
Dutch Guilder	2.31643	2.31390	−0.11	1.42	10
D-Mark	2.05586	2.05502	−0.04	1.35	8
Irish Punt	0.767417	0.767580	0.02	1.29	3
Sterling	0.696904	0.697079	0.03	1.28	−1
French Franc	6.89509	6.96432	1.00	0.30	−50
Danish Krone	7.84195	7.94450	1.31	0.00	−56

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6020 - 1.6170	1.6155 - 1.6165	0.72-0.70cpm	5.27	1.95-1.92pm	4.79
Canada	1.8295 - 1.8510	1.8500 - 1.8510	0.46-0.40cpm	2.79	1.16-1.07pm	2.41
Netherlands	3.3150 - 3.3275	3.3175 - 3.3275	¾-½cpm	2.26	1¾-1½pm	1.73
Belgium	60.50 - 60.90	60.80 - 60.90	15-10cpm	2.47	29-25pm	1.77
Denmark	11.3675 - 11.4275	11.3875 - 11.3975	2¼-1¾orepm	2.17	5¼-4¼pm	1.67
Ireland	1.0930 - 1.1050	1.1040 - 1.1050	0.15-0.10cpm	1.36	0.35-0.25pm	1.09
Germany	2.9450 - 2.9550	2.9500 - 2.9550	⅝-½pfpm	2.29	1¾-1¼pm	1.78
Portugal	256.00 - 258.00	256.00 - 257.00	132-174cdis	−7.16	242-309dis	−4.30
Spain	184.50 - 185.50	184.95 - 185.25	13-21cdis	−1.10	48-61dis	−1.18
Italy	2189.75 - 2199.25	2195.25 - 2196.25	1lirepm-par	0.27	2-4dis	−0.55
Norway	11.4825 - 11.5375	11.5050 - 11.5150	1¾-⅝orepm	1.17	2⅝-1¾pm	0.76
France	9.9825 - 10.0075	9.9950 - 10.0050	1¾-1¼cpm	1.50	3¼-2¾pm	1.23
Sweden	10.6425 - 10.6950	10.6650 - 10.6750	1¼-¼orepm	1.12	1⅝-⅞pm	0.47
Japan	222.00 - 224.00	223.00 - 224.00	¾-⅝ypm	3.69	2-1¾pm	3.47
Austria	20.72 - 20.86	20.82 - 20.85	4½-3½gropm	2.09	10½-8½pm	1.79
Switzerland	2.5375 - 2.5525	2.5400 - 2.5500	¾-⅝cpm	3.24	2-1¾pm	2.95
Ecu	1.4315 - 1.4455	1.4445 - 1.4455	0.18-0.13cpm	1.29	0.37-0.28pm	0.90

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.34-3.29cpm . 12 Month 5.58-5.48cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6020 - 1.6170	1.6155 - 1.6165	0.72-0.70cpm	5.27	1.95-1.92pm	4.79
Ireland†	1.4530 - 1.4680	1.4670 - 1.4680	0.50-0.45cpm	3.91	1.42-1.32pm	3.76
Canada	1.1420 - 1.1440	1.1430 - 1.1440	0.23-0.26cdis	−2.57	0.68-0.73dis	−2.50
Netherlands	2.0540 - 2.0750	2.0560 - 2.0570	0.53-0.56cdis	−3.17	1.60-1.65dis	−3.10
Belgium	37.60 - 37.90	37.60 - 37.70	8.50-10.50cdis	−3.02	25.00-31.00dis	−3.07
Denmark	7.0450 - 7.1200	7.0475 - 7.0525	1.73-2.05oredis	−3.18	5.30-5.90dis	−3.19
Germany	1.8250 - 1.8430	1.8260 - 1.8270	0.46-0.48pfdis	−3.07	1.42-1.45dis	−3.11
Portugal	159.50 - 161.10	159.50 - 159.60	120-160cdis	−10.51	320-370dis	−9.26
Spain	114.45 - 115.70	114.50 - 114.60	61-64cdis	−6.52	172-180dis	−6.19
Italy	1358.50 - 1370.75	1358.50 - 1359.00	6.00-6.50liredis	−5.49	17.80-18.80dis	−5.36
Norway	7.1200 - 7.1900	7.1200 - 7.1250	2.40-2.70oredis	−4.28	7.20-7.70dis	−4.19
France	6.1825 - 6.2500	6.1850 - 6.1900	1.95-2.01cdis	−3.82	5.63-5.73dis	−3.61
Sweden	6.5950 - 6.6650	6.6000 - 6.6050	2.21-2.46oredis	−4.22	7.10-7.55dis	−4.40
Japan	138.00 - 139.25	138.30 - 138.40	0.15-0.17ydis	−1.38	0.46-0.49dis	−1.42
Austria	12.87 - 12.97	12.87 - 12.90	2.50-5.00grodis	−3.49	7.50-12.00dis	−3.02
Switzerland	1.5705 - 1.5900	1.5745 - 1.5755	0.24-0.27cdis	−1.93	0.70-0.75dis	−1.83
Ecu	1.1160 - 1.1255	1.1245 - 1.1255	0.38-0.36cpm	3.97	1.11-1.07pm	3.93

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅞ - 11⅝	11⅞ - 11⅝	11⅞ - 11⅝	11⅝ - 11½	10¾ - 10⅝	10⅞ - 10⅝
US Dollar	5¾ - 5⅝	6 - 5¾	6⅛ - 5⅞	6⅜ - 6¼	6½ - 6⅜	6⅞ - 6⅝
Can. Dollar	8¼ - 8	8½ - 8¼	8⅝ - 8½	8⅝ - 8½	8¾ - 8½	9⅛ - 8⅞
Dutch Guilder	9 - 8¾	9¼ - 9	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	8¼ - 8	8 - 7¾	7⅞ - 7⅝	8 - 7¾	8 - 7¾	7⅞ - 7⅝
D-Mark	8⅝ - 8½	8⅝ - 8½	9 - 8⅞	9⅛ - 9	9¼ - 9⅛	9½ - 9⅜
French Franc	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9¼ - 9⅛
Italian Lira	12 - 10	11½ - 10½	11½ - 11¼	11⅝ - 11½	11¾ - 11½	11⅞ - 11⅝
Belgian Franc	8¾ - 8½	9 - 8¾	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼	9½ - 9⅜
Yen	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7½ - 7⅜
Danish Krone	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Asian $Sing	6 - 5¾	6 - 5¾	6⅛ - 5⅞	6⅜ - 6¼	6⅜ - 6¼	6⅝ - 6½

Long term Eurodollars: two years 7⅜-7¼ per cent; three years 8-7¾ per cent; four years 8⅜-8¼ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 5	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.616	2.952	223.5	10.00	2.545	3.322	2196	1.850	60.85	1.445
$	0.619	1	1.827	138.3	6.188	1.575	2.056	1359	1.145	37.65	0.894
DM	0.339	0.547	1	75.71	3.388	0.862	1.125	743.9	0.627	20.61	0.489
YEN	4.474	7.230	13.21	1000.	44.74	11.39	14.86	9826	8.277	272.3	6.465
F Fr.	1.000	1.616	2.952	223.5	10.	2.545	3.322	2196	1.850	60.85	1.445
S Fr.	0.393	0.635	1.160	87.82	3.929	1	1.305	862.9	0.727	23.91	0.568
H Fl.	0.301	0.486	0.889	67.28	3.010	0.766	1	661.0	0.557	18.32	0.435
Lira	0.455	0.736	1.344	101.8	4.554	1.159	1.513	1000.	0.842	27.71	0.658
C$	0.541	0.874	1.596	120.8	5.405	1.376	1.796	1187	1	32.89	0.781
B Fr.	1.643	2.656	4.851	367.3	16.43	4.182	5.459	3609	3.040	100.	2.375
ECU	0.692	1.118	2.043	154.7	6.920	1.761	2.299	1520	1.280	42.11	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
102	-	2.88	-	0.17	-	-
103	-	-	-	0.33	0.80	-
104	1.07	1.58	-	0.64	1.17	-
105	0.57	1.09	-	1.15	1.58	-
106	0.26	0.71	1.00	1.78	-	2.53
107	0.11	0.44	-	2.61	-	-
Open Int	152,010	26,634	3,500	111,476	19,901	10,100

Estimated volume 32,670 Total Open Interest 323,621

POUND - DOLLAR

DM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.5960	1.5980	1.5900	1.5912
Dec	1.5820	1.5830	1.5770	1.5760
Mar	-	1.5670	-	1.5644

BANK RETURN

BANKING DEPARTMENT	Wednesday July 3, 1991		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	47,748,391	+	4,645,215
Bankers Deposits	1,672,861,506	-	15,682,979
Reserve and other Accounts	2,940,409,071	-	3,960,235
	4,675,571,970	-	14,997,999
ASSETS			
Government Securities	1,262,660,591	+	12,265,000
Advance and other Accounts	2,344,663,402	-	575,264,519
Premises Equipment & other Secs	1,066,003,742	-	609,834,058
Notes	12,033,344	+	7,312,510
Coin	210,891	-	5,970
	4,675,571,970	-	14,997,999
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,997,966,656	-	92,687,490
Notes in Banking Department	12,033,344	+	7,312,510
	16,010,000,000	+	100,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	11,217,589,146	-	115,513,435
Other Securities	4,781,395,754	+	215,513,435
	16,010,000,000	+	100,000,000

MONEY MARKETS

Bank underpins rate

THE BANK of England signalled that an early cut in UK bank base rates would not be welcomed in its operations on the London money market yesterday. This had no impact on slightly easier wholesale interest rates however.

Three-month sterling interbank was quoted at 11⅛-11¼ per cent, compared with 11¼-11⅛ per cent previously, while 12-month money declined to 10¾-10⅝ from 10⅞-10⅞ per cent.

Volume in short sterling futures picked up on Liffe, after an exceptionally quiet day on Thursday, but prices continued to move in a narrow range.

September short sterling opened firmer at 89.56 and after trading between 89.49 and 89.57 closed unchanged at 89.54.

Credit remained in short supply on the cash market. The Bank of England initially forecast a day-to-day shortage of £1,450m, but revised this to £1,600m at noon and to £1,650m in the afternoon. Total assistance of £1,664m was provided.

In early operations the authorities bought £771m bills, including £77m bank bills outright in band 2 at 11⅛ per cent. Another £694m bills were purchased for resale to the market in equal amounts on July 24, 25 and 26 at rates of 11⅛-11⅞ per cent. Before lunch £143m bank bills were bought outright, in band 2 at 11⅛ per cent.

The central bank did not operate in the bill market during the afternoon, but invited the discount houses to use their borrowing facilities. A sum of £750m was then lent to the market for seven days at 11¼ per cent. This was taken as a signal that the authorities wish to keep bank base rates unchanged at present.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,328m, with a rise in the note circulation absorbing £540m and bank balances below target £155m. These outweighed exchequer transactions adding £590m to liquidity.

At the weekly Treasury bills tender the average rate of discount on £500m of 91-day bills fell to 10.6714 from 10.7456 per cent and the average on £200m of 182-day bills declined to 10.1687 from 10.1882 per cent.

The highest accepted rate on 91-day bills fell to 10.6893 from 10.7896 per cent, equal to a price of £97.335. Bids at that level received around 14 per cent of the amount applied for.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. July 5) 3 months US dollars		6 months US Dollars	
bid 6⅛	offer 6¼	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime

Prime rate	8½
Broker loan rate	7¾
Fed.funds	5⅝
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	5.68	Three year	7.39
Two month	6.03	Four year	7.55
Three month	5.74	Five year	7.95
Six month	5.94	Seven year	8.19
One year	6.37	10-year	8.29
Two year	7.02	30-year	8.47

July 5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.80-8.90	8.80-8.95	8.90-9.05	8.95-9.10	9.10-9.25	9.00
Paris	9⅛-9⅛	9⅛-9¼	9⅛-9¼	9⅛-9¼	9⅜-9¼	9.25
Zurich	7¾-7⅝	7⅝-7¾	-	7⅞-8	-	-
Amsterdam	8.90-9.05	9.03-9.08	-	9.15-9.20	-	-
Tokyo	7⅜-7⅛	7⅜-7⅛	-	7½-7⅜	-	-
Milan	10⅛-11	11⅛-11⅜	-	11⅝-12	-	-
Brussels	8¼-8¾	8⅞-9⅛	-	9⅛-9⅛	-	-
Dublin	10¼-10¼	10¼-10¼	10¼-10¼	10¼-10¼	10¼-10¼	-

LONDON MONEY RATES

Jul 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11⅞	11¾	11⅞	11⅜	10⅞	10⅞
Interbank Bid	10	11½	11⅝	11⅛	10⅞	10⅞
Sterling CDs	–	–	11⅜	11⅛	10⅞	10¾
Local Authority Deps.	11¾	11⅞	11½	11¼	10⅞	10⅞
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	10⅜	11½	11⅜	10⅞	–	–
Company Deposits	–	–	11⅜	11⅛	10⅞	11⅛
Finance House Deposits	–	–	11½	11¼	11	10⅞
Treasury Bills (Buy)	–	–	11⅛	10⅞	10¼	–
Bank Bills (Buy)	–	–	11⅛	10⅝	10⅜	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	6.03	6.13	6.43	6.85
SDR Linked Dep. Offer	–	–	7⅞	7⅞	7⅞	8
SDR Linked Dep. Bid	–	–	7⅞	7⅞	7⅞	7¾
ECU Linked Dep. Offer	–	–	9⅞	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	–	–	9⅞	9⅞	10	9⅞

Treasury Bills (sell); one-month 11 per cent; three months 10⅞ per cent; six months 10½ per cent; Bank Bills (sell): one-month 11⅛ per cent; three months 10⅞ per cent; Treasury Bills; Average tender rate of discount 10.6714 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 28 ,1991 . Agreed rates for period July 24,1991 to August 25 , 1991, Scheme I: 12.50 p.c., Schemes II & III: 12.53 p.c. Reference rate for period June 1, 1991 to June 28 , 1991. Scheme IV&V: 11.295 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ from July.1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 10½ per cent; three-six months 10 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 8 per cent from May 28,1991 . Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm. Bk.of London Plc	11.5	McDonnell Douglas Bnk.	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11.5	Exeter Bank Limited	12	Roxburghe Bank Ltd.	12.5
* Bank Credit & Comm.	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc.	14	● Smith & Williamson Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	Unibank plc	11.5
Banque Belge Ltd	11.5	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Western Trust	11.5
Brit. Bk of Mid East	11.5	Heritable & Gen Inv Bnk.	11.5	Westpac Bank Corp.	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.
* BUSINESS SUSPENDED

MONEY MARKET FUNDS

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 1872

Exchequer 10¾% Stk 2005 - £100⅜ (28Je91)

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £111½ ⅝ ⅞

12¾% Gtd Ln Stk 2002(Br£1000&100000) - £111⅞

Corporation and County Stocks

No. of bargains included 1

Greater London Council 6¾% Stk 90/92 - £96⅜

2010 - £112¾ (28Je91)

Bank of Greece 10¾% Ln Stk 2010(Reg) - £96

10¾% Ln Stk 2010(Br) - £96¼ (2Jy91)

Barbados (Government of) 13¾% Ln Stk 2015(Reg) - £100¾ (2Jy91)

Caisse Nationale Des Autoroutes 16% Gtd Ln Stk 2006 - £136⅞

10¾%GtdSerLnStk2011,12,13,14(Reg) - £95¾ ½

14¾% Gtd Ln Stk 2007(Reg) - £127⅝

Electricite de France 12½% Gtd Ln Stk 2008(Reg) - £113¼

11¾% Gtd Ser Ln Stk 2009/12(Reg) - £106⅝ ¾ (2Jy91)

European Investment Bank 9% Ln Stk 2001 (Reg) - £89⅞ ⅝ ½ ¾

Miscellaneous Warrants

No. of bargains included 1

Bankers Trust International Ld

Put"CRASH"WtsRelto NYSECompIndex - $1.7 (28Je91)

"POWERS" Rel to FT-SE 100 Index 30/3/92 - £11¼ (3Jy91)

PutWtsRel to FT-SE 100 Index 30/3/93 - £125 (3Jy91)

Barclays De Zoete Wedd Wts Ld A PutWtsRlgto FT-SE 100 Index 25/9/92 - £0.28 0.3 (2Jy91)

B PutWtsRlgto FT-SE 100 Index 25/9/92 - £0.245 (28Je91)

C PutsWtsRlgto FT-SE 100 Index 25/9/92 - £0.14 0.15 (3Jy91)

Put Wts (Srs D) Rltg FTSE 100 29/9/92 - £1.17

Put Wts (Srs E) Rltg FTSE 100 29/9/92 - £0.91 0.94 (28Je91)

Put Wts (Srs F) Rltg FTSE 100 29/9/92 - £0.65 (28Je91)

Put Wts (Srs G) Rltg FTSE 100 29/9/92 - £0.38 0.4 (3Jy91)

Put Wts (Srs M) Rltg FTSE 100 30/3/93 - £1.65 (2Jy91)

Put Wts (Srs O) Rltg FTSE 100 30/3/93 - £0.97 0.99 (2Jy91)

Citibank N.A.Put Wts Rel to FT-SE 100 Index 30/9/92 - £0.43 (3Jy91)

Salomon IncCall Wts Rltd to OMX Index 22/1/93 - SK57.38 67½ (28Je91)

USM Appendix

No. of bargains included 291

BLP Group PLCOrd 50p - 28 (2Jy91)

Yates Bros Wine Lodges PLCOrd 25p - £0.83 0.86 (2Jy91)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Exploration A$3.00 (2.7)

Aust. Foundation Inv A$1.954 (1.7)

Boral Ord Stk A$3.35

Cape Range Oil A$0.239 (28.6)

Commodore International $11.625♦ (2.7)

Community Psychiatric Centers $28.66♦ (3.7)

Emall Ord Stk A$3.233 (2.7)

Forest Laboratories $23.25♦

Harland (John H) Co $21.97♦ (28.6)

Highveld Steel & Vanadium R15.0

Kulim Malaysia Ord 33.0♦ (28.6)

Leighton Hldgs A$1.124 (2.7)

Magellan Petroleum Aust. $2.0312 (3.7)

Malayan Credit S$0.54 (2.7)

Mount Martin Gold Mines A$0.377 (1.7)

Murphy Oil Corp $33.99♦ (28.6)

National Electronics Hldgs 4.5♦

Niugini Mining A$1.445 (1.7)

Oil Search A$0.49

Palabora Mining 2.5♦

Petroleum Securities Aust A$0.159 (2.7)

Selangor Coconuts M$1.98 (28.6)

Storer Communications SK395.0 (1.7)

Terrex Resources A$0.064 (1.7)

Windsor Industrial Corp HK$9.10 (2.7)

By Permission of the Stock Exchange Council

هكذا منه الأصل

LONDON STOCK EXCHANGE

Further gains in modest turnover

DOMESTIC factors enabled the UK stock market to extend its gains yesterday despite a somewhat unsettling international background. The outcome of the important by-election at Walton, Liverpool, together with the latest public opinion polls, was regarded as favourable for Britain's governing Conservative party. With hopes for early cuts in UK base rates still running high, and Wall Street returning in good form from the Independence Day break, the UK market brushed off the fall in the Nikkei Index to below 23,000 and the worldwide closure by regulatory authorities of Bank of Credit and Commerce International.

Although trading volume was unremarkable, after stripping out turnover of 70.1m in Sainsbury nil paid shares, the UK market opened firmly and extended its gains throughout the session.

Account Dealing Dates		
First Dealings:		
June 17	Jul 1	Jul 15
Option Declarations:		
Jun 27	Jul 11	Jul 25
Last Dealings:		
Jun 28	Jun 12	Jul 26
Account Day:		
Jul 8	Jul 22	Aug 5

*New-time dealings may take place from 8.30 am two business days earlier.

At the close, the FT-SE Index was a further 14.3 up at 2,484.7. This week, the first leg of the two week trading account in equities, has seen the Footsie Index rise by nearly 70 points in a significant recovery after it plunged below the important 2,450 mark last week.

Government bonds closed firmly, with gains of nearly half a point at the longer end reflecting favourable views on inflation and interest rate trends.

The apparent improvement in the political fortunes of Mr John Major's government has been a significant factor in the stock market, and this was again reflected yesterday in strength in the water stocks which are perceived as threatened with return to public ownership by the Labour opposition party. The latest Gallup public opinion polls reported yesterday that Labour's lead over the Conservatives had been cut from 8 per cent to 3.5 per cent over the past month.

Also helping the market have been the reviving hopes that UK base rates will be cut again very soon, perhaps by more than 1 per cent this time. City analysts hope that if German rates are left unchanged at next Thursday's policy meeting at the Bundesbank, the last meeting before the summer recesss, then the way may be open for a reduction in UK rates.

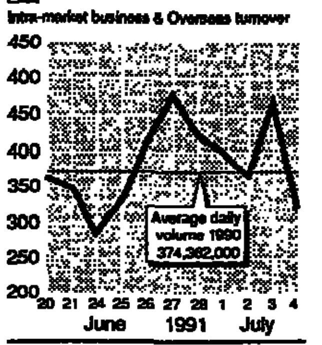
Wall Street's gain of 12 Dow points in London trading hours, encouraged by comments from the chief White House economic advisor that economic recovery has begun despite yesterday's news of a slight rise in unemployment last month, encouraged London's international blue chips. BAT Industries, Glaxo and Grand Metropolitan were all firmer.

But traders agreed that Seaq volume of 489.6m shares (including the Sainsbury deals) against 353.3m on Thursday indicated that institutional interest in equities remains cautious.

● Trading volume has been erratic this week, falling away sharply on Thursday and Friday as the closure of Wall Street for Independence Day reduced international interest.

London SE volume

Turnover by volume (million)
Excl:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	July 5	July 4	July 3	July 2	July 1	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.80	84.55	84.28	83.89	83.89	78.63	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.35	93.27	93.16	93.04	93.01	87.80	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1911.8	1904.7	1894.9	1907.2	1898.7	1885.0	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	216.6	217.1	209.8	207.7	203.9	180.9	217.1 (4/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2484.7	2470.4	2448.2	2460.2	2443.8	2340.0	2546.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1145.27	1140.75	1133.99	1143.96	1141.98	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.93	4.95	4.98	4.96	4.98	4.97				
●Earning Yld %(full)	8.67	8.69	8.76	8.72	8.76	11.00				
●P/E Ratio(Net)(☆)	14.19	14.15	14.05	14.11	14.05	11.02				
SEAQ Bargns 4.45pm	22,032	21,507	21,736	22,165	23,450	25,021				
Equity Turnover(£m)†	-	712.56	1043.08	747.62	799.02	1797.39				
Equity Bargains†	-	20,882	20,710	21,159	25,170	29,609				
Shares Traded (ml)†	-	320.8	433.3	354.7	385.0	601.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.60

Ordinary Share Index, Hourly changes — Day's High 1912.1 — Day's Low 1903.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1905.0	1910.5	1904.5	1908.1	1908.0	1908.0	1907.9	1909.7	1911.5

FT-SE 100, Hourly changes — Day's High 2485.1 — Day's Low 2472.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2472.3	2479.5	2474.1	2475.7	2479.3	2480.2	2479.3	2481.3	2484.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1145.35 — Day's Low 1141.33

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1141.81	1141.44	1142.44	1144.49	1143.65	1142.83	1144.07

GILT EDGED ACTIVITY

Indices*	July 4	July 3
Gilt Edged Bargains	85.2	103.4
5 – Day average	89.6	86.8

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Tiphook result pleases

Preliminary figures from Tiphook, the container, trailer and rail wagon rental group, beat most optimistic forecasts and gave a boost to the shares. They touched a year's best of 475p before closing a net 21 better at 474p. Turnover, 1.4m shares, was much higher than usual.

Buying had been triggered by the profit figure, £1m above expectations at £76.1m, and the dividend 13.8p, against most estimates of around 12.5p. The market was also pleased by the confident accompanying statement and news that the group is seeking listings on the New York and Hong Kong markets.

Mr Richard Hannah of UBS Phillips & Drew said: "The figures look good but the acquisition of Sea Containers last year rather clouds a picture which will become clearer when the full accounts come out." He said the shares had underperformed in the past year but prospects were good and the increased dividend inspired confidence.

Sainsbury deal

Recorded volume in Sainsbury's nil paid shares rose to 137m, representing a placing of holdings of the Sainsbury family. The business was carried out by Sainsbury's brokers S.G. Warburg two weeks ago but not recorded at the time for technical reasons.

A stock exchange official said: "There was a provisional placing subject to the shares being listed and the dealing starting - which happened yesterday." The nil-paid shares went through at 30p each and the price closed up 3 at 43p. The fully paid shares eased 2 to 354p ex-rights.

On June 18 the food retailer launched the first rights issue in its 122-year history when it asked the market for £489.4m. The Sainsbury family declined to take up the rights to all its 74.4m nil paid shares and placed 70.1m with institutions.

Scotch values

Guinness and Grand Metropolitan moved in opposite directions as investors switched between the two stocks.

Analysts at County NatWest reiterated their sell recommendation on *Guinness and buy* advice on GrandMet. They said that the value of exports of scotch whisky had risen only by about 4 per cent since the start of the year, whereas the market was looking for 12 per cent. GrandMet is much less dependent on sales of scotch than Guinness.

Sentiment was further affected by a small reduction in Hoare Govett's profit forecast for Guinness – although the buy recommendation was retained – and talk that BZW had turned negative, which was denied by the broker. Guinness slipped 4 to 965p and GrandMet added 16 at 758p.

The stemming of the dollar's rise took the shine off internationally quoted stocks. Reuters slipped 7 to 751p, while Glaxo and SmithKline Beecham ended *several pence below* their highs for the day.

Profit takers moved in on ICI after the stock had risen for four sessions in a row. Yesterday the shares slipped 8 to 1276p in light trade.

BAT Industries outperformed with a gain of 16 to 751p. Traders noted genuine buying by domestic institutions acting on presentations made to fund managers last week by the company. Turnover reached 2.9m, the busiest day's trading since March. Mr Mark Duffy at S.G. Warburg said BATs' strengths included promising growth in Far Eastern tobacco sales and the fact that that the shares were yielding more than the market average.

Water shares extended their recent recovery, responding primarily to the results of the Liverpool Walton by-election, where the Labour Party's poll was sharply reduced, and to an opinion poll in a UK national newspaper which indicated a shift back towards the Conservatives.

Sentiment in the sector has been damaged by political *fears and worries about* so-called excessive profits and dividends and diversification moves by some water companies.

Institutions have also been concerned that the July 12 cessation of trading in the water package, made up of all the individual water stocks, could leave them holding lines of stock in thinly-traded issues.

Dealers said there had been more unravelling of the Water Package but that this had been *offset by substantial institutional* buying of the heavily traded water issues included in the Footsie index. Anglian Water was a prime example, climbing 16 to 296p, while North West rose 12 more to 285p and Wessex 14 to 320p. The Package added 110 to £2825.

The electricity distribution issues were chased higher but, with the exception of London Electricity, where 1.7m shares change hands, turnover in the individual stocks failed to top 1m shares. London settled 11 up at 203p. The generators and the Scottish power stocks, however, tended to be left behind.

Long-running suggestions that P & O might be lining up an acquisition, possibly financed by a rights issue, put further pressure on the shares, which dipped 9 to 541p.

A dealers said: "the rights issue story has been around for a long time but there has been stock on offer for most of the day".

The most probable acquisition, according to the market, was P & O buying the freight and contracting businesses of Cunard, the Trafalgar House subsidiary. Dealers said a figure of between £50m to £100m had been mentioned.

Rapidly growing drug company Medeva climbed 6 to 146p as S.G. Warburg issued a buy recommendation on the stock. Dr Kevin Wilson at Warburg said that the price reflected good growth for this and next years but that the company would continued to grow quickly.

The company intends to seek a stock exchange listing in the US later this year and, according to Dr Wilson, similarities with another US company, Forest Laboratories, should encourage US interest in the stock.

Property group Mountleigh slid to its lowest level for more than five years after announcing a loss of £96m and a two for one rights issue to raise the same amount. The shares ended at 36p, down 18.

USM-quoted construction consultancy Bucknall fell 9 to a new low of 68p ahead of final results on July 9.

Optimism on prospects for Siebe's US subsidiary, Foxboro, continued to help the shares which rose 12 to 481p.

Aluminium, plastic and glass products maker Heywood Williams lost 3 to 266p after it launched a £9m bid for rival Thurgar Bardex. The offer valued each Thurgar share at about 43p and the price rose 15 to 40p.

Quiligotti, the USM-quoted terrazzo floor tile concern, firmed a penny to 28p despite announcing full-year profits halved to £905,000.

A line of Cadbury-Schweppes stock bought in early trade was said to have left the market short and squeezed the shares up by 13 to 378p. There was also renewed speculation that Philip Morris, the US food company, was preparing a bid for the company. Mr Michael *Landymore* of Henderson Crosthwaite said Philip Morris had never launched a hostile bid.

Rolls-Royce continued to languish after recent profit downgrades throughout the week and the shares closed 1¼ lower at 144¼p on turnover of 3.2m shares. BZW, however, felt the share price has fallen far enough and yesterday put Rolls on its buy list, saying: "A lot of the bad news is already reflected in the price."

News of a new order for the *Airbus* aircraft, *20 per cent* owned by British Aerospace, lifted the shares from recent weakness and they advanced 11 to 575p. The order, first mooted at the recent Paris Air Show, is from Federal Express of the US, and comprises 25 firm orders *for Airbus A300/600*, 25 re-confirmable orders and an option on another 25.

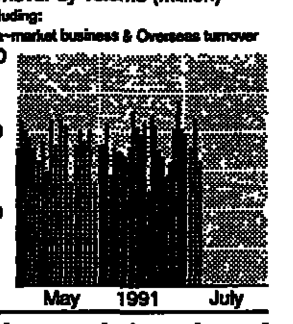
Capital goods maker Verson International added 3 to 35p following better-than-expected full-year profits of £3.3m, up from £2.5m the previous year.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 6.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (69).
BRITISH FUNDS (7) Treas. 8pc 1991, Treas. 3pc 1992, Treas. 8pc 1992, Treas. 8¼pc 1993, Fd. 6pc Ln. 1993, Treas. 8¼pc 1994, Treas. 10pc 2001 B, CANADIANS (3) Abbott Energy, Amer. Barrick Res., Echo Bay Mines, BANKS (2) Bank of Wales, Espirito Santo, BUILDINGS (1) Aroco, CHEMICALS (3) Cambridge Isotope, Engelhard, Thurgar Bardex, STORES (1) Caskat, ELECTRICALS (3) Admiral, Electrocomponents, Sage, FOODS (3) Farepak, Pokphand (CP), Sutherland, INDUSTRIALS (10) Astra B, Cathay Pacific, Esselte, Inchcape, Jardine, Jardine Strategic, Reliance Security, Siebe, Swire Pacific A, Wellcome, LEISURE (1) Tomorrows, PAPERS (2) Arjo Wiggins Appleton, Cropper (J), TEXTILES (1) Drummond, TOBACCOS (1) BAT Inds., TRANSPORT (3) IoM Steam, Mayne Nickless, Tiphook, TRUSTS (4) Brit. Assets 6pc Cv. '95, Genesis Chile Fd. Ptg., Precious Metals, Scot. Nat. Stepd. Prf., OILS (2) Bow Valley, Monument, MINES (22) Anglo Amer. Gold, Aztec Expl., CRA, De Beers Linked Units, Delta Gold, Driefontein, Elandsrand, FS Cons., GM Kalgoorlie, Gold Fields SA, Joel (JH), Kloof, Metana Minerals, Nor-Quest Res., OFS Invs., Pasminco, RTZ, Vaal Reefs, Wankie Colliery, Welkom, Winkelhaak, Zandpan, .
NEW LOWS (26).
BUILDINGS (6) BMSS, Bucknall, Crest Nicholson, Graham Wood, Phoenix Timber, Westbury, CHEMICALS (1) Evode, STORES (3) Chelsea Man, Clinton Cards, ELECTRICALS (3) Chloride, Feedback, Western Selection, ENGINEERING (3) Brasway, Howden, Ransomes, HOTELS (1) Savoy A, INDUSTRIALS (5) Cowan de Groot, Dean & Bowes, GR, Hall Homes & Grdns., Hunting, Sale Tilney, LEISURE (2) Kunick, Whitegate Leis. Wrnts., PAPERS (2) Serif Cowells, VTR, PROPERTY (4) Britannia Group, Marlvale Moore, Mickdegate, Mountleigh, TRANSPORT (1) Eurotunnel Wrrnts., TRUSTS (2) Aberdeen, Harvey & Thompson, MINES (1) Pancontinental.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	66	0	18	327	14	79
Corps, Dom. & Foreign Bonds	5	0	15	29	1	70
Industrials	245	249	1,023	1,299	1,307	4,979
Financial and Props	132	63	545	623	492	2,585
Oils	25	12	53	103	84	259
Plantations	1	0	9	4	2	44
Mines	34	27	100	254	98	453
Others	43	13	107	247	224	348
Totals	551	364	1,870	2,886	2,222	8,817

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	58	640	+14	Courtaulds	588	415	+3	MB Caradon	545	218	−2	Severn Trent Water	1,500	258	+8
ASDA Group	3,300	92½	−½	Dalgety	31	385		MEPC	111	445	+3	Shell Transport	1,800	521	+1
Abbey National	1,400	278		De La Rue	88	465	+1	Manweb	707	244	+10	Siebe	611	481	+12
Albert Fisher	4,100	115	−1	Dixons	1,500	218	+4	Marks & Spencer	1,800	254	+3	Slough Ests	88	248	+2
Allied-Lyons	1,500	525	+1	ECC Group	459	425	−5	Maxwell Comms.	182	202	−1	Smith (W.H.) A	107	384	+3
Amstrad	169	50	+½	Eastern Elect.	295	185	+11	Midland Bank	1,500	185	−3	Smith & Nephew	1,400	131	
Anglian Water	1,900	296	+16	East Midland Elect.	42	204	+11	Midlands Elect.	721	208	+9	SmKl Beecham	1,100	796	+4
Argos	125	296	+1	Enterprise Oil	2,200	597	+11	NatWest Bank	1,100	305	−4	SmKl Beecham Uts.	169	3426	+8
Argyll Group	2,400	256		Eurotunnel Units	42	445		National Power	4,100	137	+4	Stebbs Inds.	18	244	−1
[illegible]															
Burmah Castrol	258	530	+4	Land Securities	777	482	+5	Royal Insurance	1,400	421		Welsh Water	640	288	+5
Burton	1,000	43	+½	Laporte	145	555	+4	Saatchi	134	18		Wessex Water	283	320	+14
Cable & Wire.	2,600	548	−3	Legal & General	361	425	+7	Sainsbury	1,800	354	−2	Whitbread "A"	853	469	+8
Cadbury	3,100	378	+13	Lloyds Abbey	1,100	392	−5	Scottish & New.	433	380		Williams Hldgs.	1,100	294	−1
Calor Group	28	228		Lloyds Bank	889	334		Scot. Hydro-Elect.	7,000	115	+2	Willis Corroon	1,400	305	+2
Carlton Comms.	383	444	−6	LASMO	2,100	344	+9	Scottish Power	13,000	108	+1½	Wimpey	785	182	−1
Coats Viyella	1,700	150	+1	London Elect.	1,700	204	+12	Sears	1,400	75	+1	Yorkshire Elect.	832	226	+10½
Comm. Union	455	515	+9	Lonrho	1,000	249	+2	Sedgwick	620	208	−1	Yorkshire Water	1,800	296	+8
Cookson	2,000	107	−2	Lucas	1,500	130	+2	Seaboard	444	205	+12				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

SUNSHINE over the derivative markets gave them a gloss that was not necessarily backed up by genuine reasons for growth.

On Liffe, the FT-SE September future traded at a healthy premium to the estimated fair value of around 30 points above the underlying index.

Observers said that Thursday's after-hours business on the automatic APT system suggested that traders were covering short positions and squeezing up the market.

The FT-SE contract traded around 10 points above fair value. There were fears that it would crumble when US trading began as New York had been closed for Independence Day and had not been able to reflect sharp falls in Tokyo.

However the S&P futures were firm and that reinforced the FT-SE futures.

Mr Steve Lindsay of UBS Phillips & Drew said: "The feeling is that not large but significant short positions held by traders gave a foundation for further gains during the day.

The September contract closed at 2,520, a premium of 36 to the underlying market.

Volume in LTOM was up on the previous day with BP accounting for a large slice of the trade in equity options.

Securities houses were taking a bullish stance on the stock and buying the July 360 calls to close out as traders reiterated upgraded forecasts for the end of year oil price.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1990 based on Thursday July 4 1991

Gold Mines Index	+	40.43	Food Manufacturing	+	14.29
Health & Household	+	37.66	Stores	+	12.89
Chemicals	+	34.00	Transport	+	12.85
Packaging & Paper	+	31.58	Electronics	+	11.99
Textiles	+	29.31	Capital Goods	+	11.12
Telephone Networks	+	24.96	Conglomerates	+	10.99
Business Services	+	24.30	Brewers & Distillers	+	10.85
Electricals	+	21.80	Media	+	10.23
Other Industrial Materials	+	20.91	Insurance Brokers	+	9.46
Other Groups	+	20.69	Financial Group	+	9.42
Engineering-General	+	18.96	Insurance (Composite)	+	9.19
Investment Trusts	+	18.02	Metals & Metal Forming	+	7.13
Merchant Banks	+	17.92	Oil & Gas	+	3.80
Consumer Group	+	17.92	Building Materials	+	3.09
Electricity	+	17.54	Water	+	2.58
Industrial Group	+	17.38	Contracting, Construction	+	2.45
Banks	+	15.67	Motors	+	1.93
Food Retailing	+	15.46	Engineering-Aerospace	+	1.32
500 Share Index	+	15.38	Hotels & Leisure	-	0.60
Insurance (Life)	+	14.84	Property	-	7.77
All-Share Index	+	14.61			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.1235	+0.503	10.98	11.16	10.82
BELGIUM		10.000	08/00	102.8500	-0.400	9.54	9.34	9.17
CANADA *		9.750	06/01	98.2750	-0.300	10.03	10.09	9.78
DENMARK		9.000	11/00	97.9000	-0.175	9.33	9.28	9.12
FRANCE	BTAN	9.000	02/96	98.6172	-0.143	9.35	9.24	9.07
	OAT	9.500	01/01	101.5200	-0.250	9.23	9.09	9.03
GERMANY		8.375	05/01	98.7000	-0.350	8.57	8.51	8.33
ITALY		12.500	03/01	97.6900	+0.100	13.34	13.34	12.89
JAPAN	No 119	4.800	06/99	87.7904	+0.141	7.22	7.30	7.06
	No 129	6.400	03/00	98.0000	+0.162	6.78	6.84	6.67
NETHERLANDS		8.500	03/01	97.9500	-0.160	8.81	8.76	8.63
SPAIN		11.900	07/96	100.1500	+0.325	11.85	12.00	11.90
UK GILTS		10.000	11/96	98-30	+05/32	10.26	10.50	10.41
		10.000	02/01	98-17	+13/32	10.24	10.51	10.52
		9.000	10/08	92-02	+16/32	9.97	10.17	10.23
US TREASURY *		8.000	05/01	98-01	-09/32	8.29	8.27	8.18
		8.125	05/21	96-10	-13/32	8.46	8.45	8.38

London closing, *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. *Technical Data/ATLAS Price Sources*

COMMODITIES

WEEK IN THE MARKETS

S African strike boosts platinum

THE PLATINUM market was given a strong boost by Thursday night's news of a strike at Impala of South Africa, the western world's second biggest producer. And although the stoppage proved short-lived the metal's price ended at the highest level for five weeks.

As reports came in that 90 per cent of the 8,000 workers at the company's Bafokeng mine had downed tools the London price was pushed up sharply yesterday morning. And despite later news that work had resumed while talks continued on the employees' 10 per cent pay claim, the price ended $7.75 up on the day at $387.50 a troy ounce. That was *just* $6 below the level ruling before Nissan Motors of Japan knocked the stuffing out of the market at the end of May with its announcement that it had developed a platinum- and rhodium-free catalytic converter to clean *exhaust emissions*.

Yesterday's advance took the rise on the week to $11.40 and widened platinum's premium over the gold price, which continued to meet resistance at $370 an ounce, to $17.25. Upward pressure on the gold price from the Yugoslavian crisis was counteracted by downward pressure resulting from the strength of the US dollar and the yellow metal ended 85 cents up on the week at $370.25 an ounce.

Strike news was also the main focus of attention in the London Metal Exchange's copper market, although the stoppage that began on Monday at *Chile's Chuquicamata*, the world's biggest copper mine, came as no surprise. The miners had voted their union leaders a strike mandate four days earlier and Codelco, the state company that operates the mine, had been adamant that their pay and conditions claim was way beyond its means.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+3,050	to 445,325
Copper	+125	to 285,000
Lead	+500	to 79,350
Nickel	+18	to 4,164
Zinc	−800	to 115,700
Tin	−415	to 14,640

Codelco has said that it has its supply commitments covered for up to 60 days, the legal limit on a strike in Chile, and in any case few observers believe the workers will be able to hold out longer than a few weeks, given the union's inability to provide strike pay.

Nevertheless the copper market built cautiously on the gains that had been made last week as hopes had faded that a stoppage could be avoided. Despite falling back by £16.75 over the past two days the cash price ended £6.25 up on the week at £1,403.50 a tonne. And metal for delivery in three months ended £12 up on balance at £1,416.50 a tonne.

The most buoyant LME price was nickel's, which responded to growing technical tightness that was believed to result principally from one large investment fund being heavily short in the market at a time when stocks were relatively low. A $522.50 rise on the week took the cash position to $8,975 a tonne, a nine-week high.

The exchange acted on Wednesday to head off potential problems by asking members to report on their commitments to buy and sell the metal over the next three months, a possible prelude to the imposition of trading restrictions. But the squeeze does not appear to be slackening. The cash premium over three months nickel, which had already risen to $115 a tonne from $25 at the end of last week, continued to grow, reaching $212.50 a tonne at last night's close.

Other LME markets were quiet with the zinc price shadowing copper, before running into hedge selling, and aluminium edging ahead on the strength of renewed US buying interest. Aluminium prices were trimmed back slightly yesterday, however, after the LME announced a 3,050-tonne rise in warehouse stocks to a record 445,325 tonnes.

Coffee traders at the London Futures and Options Exchange were at a loss to account for a sudden recovery on Monday that took the September quotation up £26 to £577 a tonne. "The thing is that nobody was really long of the market, so there were no sellers around," said one. And few thought that the rally would continue, suggesting that producer sales were likely to be attracted at that level.

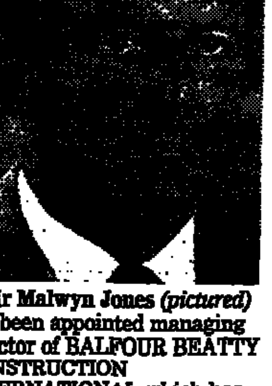
In the event it was mainly heavy trade house selling that reversed the direction of the market. And the September position ended only £5 up on the week at £556 a tonne.

A sharpish rise in cocoa prices on Monday was explained as a technical reaction to last week's heavy decline. The September futures position recovered £21 of the £46 loss accumulated over the preceding five days to reach £618 a tonne. The upturn was not maintained, but at least nearby futures managed to hang on to about half of the rise, with the September position closing yesterday at £609 a tonne, up £12 on the week.

Richard Mooney

APPOINTMENTS

New Balfour Beatty company



■ Mr Malwyn Jones *(pictured)* has been appointed managing director of BALFOUR BEATTY CONSTRUCTION INTERNATIONAL which has been formed as a separate operating company within the Balfour Beatty Group. He was previously general manager od the international division of Balfor Beatty Construction.

Balfour Beatty Construction International will carry out construction activities worldwide with the exception of Europe and North America.

■ CMW GROUP has appointed Mr David Ellingham, who recently acquired 2.2 per cent of its equity, as a non-executive director.

■ FARNELL ELECTRONICS has appointed Mr Christopher Emptage to the main board, and promoted him to deputy managing director of Farnell Electronics Components where he was director of operations and personnel. Mr Andrew Lamming also joins the main board and becomes deputy chief executive of the manufacturing division. He was a director at subsidiaries Wallis Hivolt, and Rendar and Wayne Kerr Electronics.

■ CONTINENTAL BANK has appointed Mr John Soss and Mr Andres Recoder as heads of international capital markets. They wil be moving from the bank's New York office to its European headquarters in London.

■ Ms Julie Irwin and Ms Sara McFadzean, associate directors, have been promoted to directors of CITY RESEARCH ASSOCIATES.

■ SOCIETE GENERALE London branch has appointed Mr Alan R. Clark, head of human resources, and Mr Hubert Lamy, head of financial planning and development, as assistant general managers.

■ Mr Ray Harvey has been appointed operations director of the CMI GROUP, international arm of Clerical Medical Investment Group. He is responsible for operations on the Isle of Man and in Luxembourg.

■ Mr Trevor Berry has been appointed managing director of LAING LONDON. He was managing director of Laing Wessex, and succeeds Mr Harry Barnett who is retiring.

■ Mr David Tagg, a director of Grand Metropolitan, has been appointed a non-executive director of STOREHOUSE from July 12. Mr John Braddell leaves the board at the end of the month on relinquishing his posts as executive chairman of Richards, and of Blazer.

■ Mr Michael Glover has been appointed a director of THOROUGHBRED COMMERCIAL DEVELOPMENTS, Telford, property development division of Hickman Boswell.

■ Mr Mike Wells has been promoted from deputy to chief executive of EMAP's exhibition division.

■ BET has appointed Mr Michael Ewing as human resources director. He was personnel director for the Digital Equipment Corporation, responsible for Europe, the Middle East and Africa. He will be joining BET's management committee, with worldwide personnel responsibility.

GRE senior posts

■ Mr Jim McDonough *(left)*, general manager in charge of the international division at GUARDIAN ROYAL EXCHANGE, has been made a main board director. He is responsible for underwriting and international business development. Mr Bill Dunham *(right)* is to be assistant general manager, UK commercial insurances division. He was manager, UK commercial insurances department, and will succeed Mr John Parton who retires at the end of of October.

■ BAYERISCHE LANDESBANK GIROZENTRALE has appointed Mr Michael P.F. Wickham as general manager at its London branch. He was assistant general manager, and replaces Mr Michael King who has moved to the bank's Singapore branch.

■ Mr Michael Kennedy, joint managing director of Martin Currie, has been appointed a director of SECURITIES TRUST OF SCOTLAND, which is managed by Martin Currie Investment Management.

■ Mr Peter Allen has been appointed a non-executive director for three years on the BRITISH RAILWAYS BOARD. He was managing director of British Steel's strip group until his recent retirement.

■ Mr Mike Smith has been appointed an associate director of NICHOLSON CHAMBERLAIN COLLS AVIATION.

■ Mr Ron Finlay has been appointed to the board of FISHBURN HEDGES. He was a director of Valin Pollen.

■ Mr Michael Charles Weston, chief executive officer of WOODGATE FARMS DAIRY, Uckfield, has been appointed a director.

■ Mr Alan Thompson has been appointed finance director of THE EUROPEAN. He was finance director of The Sunday Correspondent.

■ The FAIREY GROUP has appointed Mr P.V. Boughton as company secretary. Mr A.C. Hayward has resigned as director and company secretary.

■ LEHMAN BROTHERS GILTS, part of Lehman Brothers International, has appointed Mr Damian McCarthy as a director, and a senior dealer for UK gilts from August 1. He was investment manager of sterling bonds at Abbey National.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.14	49.14	52.55	+0.04	6.60
Gilts & Fixed Int	6	111.5	111.5xd	118.2	+0.2	9.73
High Inc Equity	6	130.2	133.8xd	142.3	+0.3	5.97
Worldwide Bond	6	209.9	209.9xd	222.4	-0.1	6.74
Capital Growth						
American Growth	6	201.8	201.8	215.8	+0.1	1.01
Asian Pacific	6	138.0	138.8	147.6	+1.1	1.06
Assets & Earnings	6	170.4	174.1xd	185.2	+0.3	3.12
Capital Reserve Acc	0	105.2	105.2	105.3	....	7.20
Capital Reserve Inc	0	83.22	83.22	83.28	+0.02	7.20
Comdty & Energy	6	81.31	81.31	86.96	+0.04	1.71
1992 Enterprise	6	61.50	62.99	67.01	+0.10	2.88
Euro Capital Acc	6	86.84	86.84	92.87	-0.39	1.46
Euro Capital Inc	6	82.97	82.97	88.73	-0.38	1.47
General	6	166.0	166.0	177.5	+0.7	2.82
Japan	6	98.47	98.47	105.3	-0.3	-
Mastertrust	6	89.25	89.25	95.45	+0.02	2.14
UK Growth Acc	6	153.3	153.3	163.9	-0.2	2.76
UK Growth Dist	6	98.48	98.48	105.3	-0.1	2.78
US Emerging Cos	6	64.54	64.54	69.02	-0.06	-
Income & Growth	6	290.4	290.4xd	310.5	+0.5	4.51
Ethical	6	48.35	48.35xd	51.71	+0.05	3.27
International	6	62.88	63.68	67.74	-0.10	1.30
Dividend & Growth	6	46.62	47.80xd	50.85	+0.01	5.90
Global Gwth & Sec	6	51.07	51.31	54.58	-0.03	1.83

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	949.0	949.0	1009.0	....	-

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.64	31.64	33.55	+0.04	2.37
Cash	-	50.42	50.42xd	50.42	+0.02	11.50
European	5¼	71.62	71.62	75.99	+0.07	0.00
European Income	5¼	73.94	74.37xd	78.46	+0.02	1.56
Exempt	1	734.4	734.4xd	759.0	+6.1	5.38
Exempt Income	3¼	162.0	162.0xd	171.2	+1.3	4.90
Exempt American	3¼	371.7	371.7	386.7	+0.3	1.47
Exempt Pacific	3¼	239.9	239.9xd	251.4	+0.9	1.52
Extra Income	5¼	38.13	38.13xd	41.18	+0.25	6.03
Far East Emerg Cos	5¼	54.05	54.05xd	58.10	+0.14	1.10
Fixed Int Tst	5	111.7	113.3	120.9	+0.2	1.42
Fixed Int Tst Acc	5	180.8	183.3	195.7	+0.3	1.40
Gilt & Fixed Int	5¼	15.94	16.14xd	17.23	-0.04	11.51
Japan	5¼	167.6	167.6	177.6	+1.0	0.00
Pacific	5¼	38.79	38.81	41.57	-0.11	0.36
Property Share	5¼	47.23	48.61xd	51.89	-0.32	5.37
Smaller Companies	5¼	35.10	35.10	37.46		2.57

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5858

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	130.0	130.8	139.2	+0.6	3.95
Gilt & Fxd Int	5	143.5	143.5	151.9	+0.1	8.56
Intl Growth	5¼	150.7	152.2	161.9	+0.3	1.42
North American	5¼	97.85	99.26	105.6	+0.1	0.37
Far East	5¼	123.0	124.0xd	131.9	+0.1	0.35
UK Smaller Cos	5¼	102.7	102.7xd	109.3	+0.4	3.31
European	5¼	53.52	53.52xd	57.11	-0.08	1.12
Japanese Growth	5¼	37.89	37.89	40.59	+0.05	0.00
Managed P'folio	5¼	49.41	49.83xd	53.01	-0.01	1.77
High Income	5¼	144.8	146.7	156.1	+0.07	6.21
High Yielding GR	5¼	61.53	61.53	64.85	-0.06	9.49
Cash		51.22	51.12	51.12	+0.02	10.32

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	113.72	113.72xd	121.30	-0.32	2.60
Exempt Smllr Cos	3¼	221.58	221.58	232.66	-1.68	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak *and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.*

Edinburgh Fund Mngrs PLC

Exempt Funds	Bid Price	Offer Price	+ or -	Yield Gross
American July 3	161.2	165.6	+2.5	1.51
Managed July 3	142.3	147.6	-0.4	3.90
Japan July 4	121.0	124.3xd	+0.6	0.08
Sm Jap Cos July 5	594.5	610.8	-9.5	0.08

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Magd Pens P'folio	129.2	133.3	+0.30	3.68

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£487.51	494.74	----	1.62
Gen Exempt	£128.06	130.96	----	3.99
Jap Exempt	£491.61	501.43	----	0.76
Pacific Exempt	£104.71	106.92	----	3.31
Contl Euro Exempt	£95.32	97.21	----	2.27
Integral Exempt July 4	£125.46	126.53	----	4.93
Amer Indxd Expt July 4	£107.99	109.08	----	2.73
Japan Indxd Expt July 4	£66.19	67.52	----	0.63
Euro Indxd Expt July 4	£94.80	96.72	----	2.85
P'cacis Indxd Expt July 4	£101.07	103.29	----	2.48

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital July 3	489.42	493.00	----	2.49
Gross July 3	173.36	176.77xd	----	11.03
High Yield July 3	290.47	292.80	----	7.04

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Magd	52.22	53.28	+0.02	3.90

INVESCO MIM Management Ltd

Exempt Funds	Bid Price	Offer Price	+ or -	Yield Gross
Intl Magd P'Folio	1296.0	1394.0xd	----	-
Magd Pens (Acc)	67.5	71.9	----	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	105.7	111.2	+0.3	-
Pension Managed Fd	103.1	108.5	+0.3	-
Life Deposit Fd	107.9	113.5	-	-
Pension Deposit Fd	113.2	119.2	+0.1	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	106.7	112.4	+0.2	-
Managed Growth	134.9	142.0	-0.1	-
Managed Opportunity	137.1	144.4	-0.3	-
NFMC Target Financial	100.8	106.2	+0.5	-
Pension Funds				
Managed Cautionary	117.2	123.4	+0.2	-
Managed Growth	142.8	150.4	-0.1	-
Managed Opportunity	137.4	144.7	-0.3	-
NFMC Target Mngd Pen	1506.1	1585.4	+4.1	-

National Mutual Life
The Priory, Priory Pk, Kitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	161.2	169.7	-	-
UK Equity	165.3	174.0	-	-
Overseas Equity	140.8	148.3	-	-
Fixed Interest	144.4	152.1	-	-
Property	127.0	133.7	-	-
Index Linked	146.5	154.3	-	-
Deposit	157.7	166.1	-	-
With Profits (B)	129.4	136.3	-	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	349.3	367.7	+0.9	-
UK Equity	433.7	456.6	+2.1	-
Overseas Eq	350.4	368.9	-0.1	-
Americas	290.7	306.1	+0.4	-
Far East	383.5	403.7	-	-
Property	190.7	200.8	+0.1	-
Fixed Int	259.7	273.4	+0.6	-
Indexed Gilt	154.5	162.9	+0.1	-
Deposit	182.7	192.4	+0.1	-
Pension Fund (Accum Units)				
Managed	497.8	524.0	+1.3	-
UK Equity	580.5	611.1	+2.7	-
Overseas Eq	584.5	615.3	-	-
Americas	378.0	397.9	+0.4	-
Far East	633.9	667.3	-0.6	-
Property	241.3	254.1	+0.2	-
Fixed Int	319.8	336.7	+0.7	-
Indexed Gilt	169.5	178.5	+0.1	-
Deposit	256.4	269.9	-	-
NPI Pensions Management Ltd				
Managed Fund	1076.6	1095.8	-	-

Prices July 1 Next dealing August 1

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	149.5	158.0	+1.0	-
Accum Equity	214.5	226.0	+1.0	-
Accum Managed	225.0	237.5	+1.0	-
Accum Five Star	171.5	181.0	-	-
Accum World	124.0	131.0	-	-
Accum Lifetime	108.9	108.9	+0.3	-
Pens Acc Equity	229.5	242.0	+1.0	-
Pens Acc Managed	279.5	294.5	+1.0	-
Pens Acc Intl	215.5	227.5	+1.0	-
Pens Acc Deposit	200.0	211.0	-	-
Pens Acc Five Star	188.0	198.5	-	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	221.3	233.5	+0.7	-
UK Fixed Int Acc	175.2	184.9	+0.9	-
Intl Equities Acc	178.8	188.7	+0.1	-
UK Managed Acc	172.5	181.9	+0.5	-
Property Acc	224.1	236.4	-	-
Money Acc	129.7	136.9	-	-
Special Market Acc	143.5	151.4	+0.9	-
Japan Equity Acc	105.0	110.8	-0.5	-
North American Acc	110.3	116.4	+0.1	-
Pacific Acc	99.1	104.6	+0.2	-
Technology Acc	126.6	133.6	+0.5	-
Nat Resources Acc	66.6	70.3	+0.4	-
European Acc	100.1	105.6	-0.2	-
Residential Prop Acc	96.2	101.5	-	-
Swiss Equities Acc	34.7	36.7	-0.1	-
Hong Kong Acc	70.9	74.8	+0.1	-
UK High Inc Eq Acc	71.4	75.4	+0.2	-
Int Fixed Interest Acc	57.7	60.9	+0.1	-
Int Managed Acc	57.1	60.2	+0.1	-
HIP Managed Acc	117.9	124.3	+0.5	-
HIP Managed II Acc	100.0	105.4	+0.3	-
HIP Managed III Acc	107.0	112.8	+0.4	-
Total Investment Bond				
UK Equity Initial		150.6	+0.4	-
UK Fixed Int Initial		119.5	+0.6	-
Intl Equities Initial		121.0	+0.1	-
UK Managed Initial		117.6	+0.3	-
Property Initial		153.9	-	-
Money Initial		88.9	-	-
Special Market Initial		111.5	+0.6	-
Japan Equity Initial		81.6	-0.4	-
North American Initial		85.7	+0.1	-
Pacific Initial		77.0	+0.1	-
Technology Initial		98.4	+0.3	-
Nat Resources Initial		51.7	+0.2	-
European Initial		89.8	-0.2	-
Residential Prop Init		92.0	-	-
Swiss Equities Initial		33.2	-0.1	-
Hong Kong Initial		67.7	-	-
UK High Inc Eq Init		68.3	+0.2	-
Int Fixed Interest Init		55.9	+0.1	-
Int Managed Init		55.4	-	-
HIP Managed Init		114.7	+0.5	-
HIP Managed II Initial		98.6	+0.3	-
HIP Managed III Init		106.6	+0.4	-
Broker Funds				
High Performance	72.2	76.1	-0.2	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3:00 pm)

July 5	US$	+ or −
AAR Corp	14¼	+⅛
AMP Inc	51¾	+¼
AMR Corp	64½	+½
ASA	54⅛	+⅞
Abbott Labs	52⅛	−¼
Acme Cleveland	6	−⅛
Adobe Res	6⅞	−⅛
Advanced Micro	11¼	−⅛
Aetna Life	41	−⅛
Affiliated Publ	9⅛	....
Ahmanson (HF)	17	....
Air Prod & Chemical	68¼xd	+⅛
Alberto-Culver B	22⅝	+⅛
Albertson's	41	....
Alcan Aluminium	20½	....
Alco Standard	31⅝	....
Alexander & Alex	22¼	+⅛
Alex & Baldwin	24	+⅛
Allegheny Power	38¾	....
Allied Signal	33⅞	−⅛
Aluminum Co of Am	67½	−⅜
Amax	23⅞	+½
Amdahl Corp	14⅝	−¼
Amerada Hess	50⅞	+⅛
Amer Brands	40	−¼
Amer Cyanamid	65⅝	+⅛
Amer El Power	28⅞	....
Amer Express	21⅞xd	−¼
Amer Family Corp	21⅝	....
Amer Genl Corp	38½	+¼
Amer Greetings Cl A	33⅞	−⅛
Amer Home Pr	60⅝	....
Amer International	85½	+½
Amer Natl Ins	32⅞	....
Amer Stores	77¼	−¼
Amer T & T	39xd	−¼
Ameritech	59⅞xd	−⅛
Ames Dept Stores	2.37	....
Ametek Inc	12⅛	....
Amoco	51	+¼
Analog Devices	9⅞	....
Anheuser-Busch	48¼	−¼
Aon Corp	38½	....
Apple Computers	45¼	+2⅝
Archer Daniels	24	+¼
Arkla	16⅞	+⅛
Armco	5	....
Armstrong World	28⅛	....
Asarco	26⅝	+⅜
Ashland Oil	30⅞	−⅛
Ashton-Tate	10½	+⅛
Atlantic Richfield	113	....
Auto Data Pro	33¼	−⅛

July 5	US$	+ or −
Continental Air	1.75	−0.13
Contl Bank Corp	11⅝	....
Contl Corp	26¾	....
Control Data	9¾	+¼
Cooper Inds	55¼	+⅞
Coors (Adolph)	22¼	+⅛
Corestates Finl	38¾	−⅛
Corning Inc	65	−⅜
Crane	28⅛	+¼
Cray Research	32	....
Cross & Trecker	5¼	+⅛
Crown Cork & Seal	76⅝	+⅛
Cummins Engine	39½	....
Curtiss-Wright	30¼	....
Cypress Semicond	18¾	+⅛
Cyprus Minerals	22⅛xd	....
DSC Commun	6¼	....
DQE	26⅛	−⅛
Dana Corp	33½	+⅜
Data General	14⅞	−⅛
Dayton Hudson	72⅝	+½
Deere	52¼xd	−¼
Delmarva Pow & L	18⅜xd	−⅜
Delta Air Lines	71¾	−⅛
Deluxe Corp	45⅞	−⅛
Detroit Edison	28⅝	....
Dial Corp.Ariz	34¼	+⅛
Diebold Inc	40¼	−⅛
Digital Comms	13⅞	....
Digital Equipment	59⅞	....
Dillard Dept St	126⅛xd	+⅛
Disney (Walt)	118¼	+⅛
Dominion Res	47⅞	....
Donnelley (RR)&Sons	43⅛	−⅛
Dover Corp	39	−¼
Dow Chemicals	54xd	+⅜
Dow Jones	27¼	+¼
Dravo Corp	10½	....
Dresser	20	....
Dreyfus Corp	36½	+⅛
Duke Power	27⅞	....
Dun&Bradstreet	46½	−¼
Du Pont	47¼	+⅛
E G & G Corp	39½	+⅛
E-Systems	40⅝	....
Eastern Enterprises	24⅞	....
Eastman Kodak	39⅛	+⅛
Eaton Corp	63⅞	+⅜
Echlin Inc	13⅛xd	−⅛

July 5	US$	+ or −
Comcast Corp A	14	−⅛
Commerce Cl Hse	17xd	−½
Comm Satellite	28⅞	−¼
Commonw Edison	37⅛xd	−⅛
Compaq Computer	33¼	+⅜
Computer Ass Int	9⅞	−⅛
Computer Sciences	69⅝	+1
Conagra	42¼	+⅛
Cons Edison	24⅝	....
Cons Freightways	16⅝	+⅛
Cons Nat Gas	40⅞	−⅛
Cons Paper	39	−½
Cons Rail	62	+2⅛

July 5	US$	+ or −
Intergraph	24¼	−⅛
Interlake	3.37	−0.13
IBM	98⅝	+⅝
Intl Flav & Fr	76⅝	+¼
Intl Multifoods	44¼xd	+¼
Intl Paper	72⅛	+¼
Interpublic	43½	....
InterTAN	22⅞	−⅛
James River Va	26¼	−⅛
Jefferson Pilot	43⅝	+⅜
Johnson Controls	32¼	....

July 5	US$	+ or −
Perkin Elmer	27½	−⅛
Petrie Stores	20½	+⅛
Pfizer	56	+¼
Phelps Dodge	69	+½
Philadel Elec	20⅜	....
Philip Morris	65¾	+⅜
Phillips Pet	25⅝	+⅛
Phillips-Van Hsn	28	....
Pic'n'Save	12⅜	+⅛
Pinnacle West Cap	9⅞	−⅛
Pioneer Hi Bred	49¼xd	−¼
Pitney Bowes	60½	+1⅛

July 5	US$	+ or −
US Surgical	70⅞	+2
US Trust	36¾xd	....
US West	36⅛	....
United Technology	45	−½
United Telecomms	30	+¼
Unocal Corp	22½xd	+⅛
Upjohn	44⅝xd	+1⅛
VF Corp	30	+⅜
Valero Energy	20⅛	−⅜
Varian Associates	42¼	−⅛

July 5	Can$	+ or −
Teck Corp B	22½	....
Thomson Corp	15¼	−⅛
Toronto Dom Bk	18⅝	+⅛
Total Pet N Am	15½	....
Transalta	12½	....
Trans Can Pipe	17¼	....
Trimac	8⅛	....
Trizec A	12¾	+⅛
United Dominion	12	−⅛
Varity Corp	2.54	+0.05
Westcoast Energy	19¾	−⅛
Weston (George)	44	−¼

INDICES

NEW YORK

DOW JONES	July 4	July 3	July 2	July 1	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
¢Industrials	(c)	2934.70	2972.72	2958.41	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	(c)	94.42	94.37	94.49	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	(c)	1187.06	1179.65	1174.89	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	(c)	197.37	199.07	199.57	220.89 (16/4)	196.87 (28/6)	236.23 (2/1/90)	10.50 (8/4/32)

¢Day's High - (2957.07) Low - (2939.62)

STANDARD AND POOR'S	July 4	July 3	July 2	July 1	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	(c)	373.33	377.47	377.92	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	(c)	445.30	450.17	450.37	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	(c)	28.79	29.23	29.38	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	(c)	204.47	206.52	206.67	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	(c)	358.41	360.35	360.66	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	(c)	474.32	478.78	481.31	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	June 28	June 21	June 14	year ago (approx.)
Dow Industrial Div. Yield	3.16	3.07	3.03	3.74

	Jun 26	Jun 19	Jun 12	year ago (approx.)
S & P Industrial div. yield	2.83	2.80	2.79	2.96
S & P Indl. P/E ratio	18.68	18.85	18.91	16.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
BankAmerica	2,500,700	33½	− 2
Tenneco	1,852,900	34¼	− 1⅛
RJR Nabisco	1,791,300	10½	− ¼
Pepsico	1,653,800	29⅛	− ⅜
Security Pac	1,434,300	21⅛	− 1¼
Am Express	1,376,600	22⅛	− ½
Philip Morris	1,370,400	65⅝	− ¼
First Mingett	1,365,800	34¼	+ ¼
Blockbuster	1,359,900	8½	+ ¼
Am T & T	1,310,400	39⅛	----

TRADING ACTIVITY

† Volume (Millions)	July 4	July 3	July 2
New York SE	(c)	139.290	157.140
Amex	(c)	10.577	10.075
NASDAQ	(c)	125.020	136.540
NYSE			
Issues Traded	-	2,032	2,054
Rises	-	457	773
Falls	-	1,116	760
Unchanged	-	459	521
New Highs	-	27	41
New Lows	-	26	22

CANADA

TORONTO	July 4	July 3	July 2	July 1	1991 HIGH	1991 LOW
Metals & Minerals	3177.90	3155.08	3184.00	(c)	3284.18 (5/3)	2632.06 (9/1)
Composite	3485.45	3479.07	3493.70	(c)	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1846.08	1837.94	1851.13	(c)	1903.86 (7/6)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 5	July 4	July 3	July 2	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1536.1	1523.9	1528.7	1543.2	1598.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	679.4	670.2	665.3	672.2	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	480.35	478.13	469.90	485.51	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1150.00	1154.98	1152.60	1158.40	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	373.69	371.51	369.57	369.48	373.69 (5/7)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	962.7	955.0	950.7	953.5	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	457.89	460.67	462.47	468.56	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1723.14	1708.65	1718.02	1750.47	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	682.83	680.93	677.36	675.95	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1925.5	1920.9	1918.3	1906.6	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1618.91	1616.11	1614.41	1610.50	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3892.71	3850.71	3796.57	3772.91	3917.09 (20/5)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1368.89	1362.29	1360.95	1369.50	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	570.40	567.86	568.67	578.45	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22898.34	23135.61	23373.47	23995.76	27146.91 (18/3)	22442.78 (16/1)
Tokyo SE (Topix) (4/1/68)	1783.23	1796.98	1820.65	1866.12	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3138.88	3165.72	3221.72	3271.53	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	608.04	606.01	608.22	613.58	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	276.5	276.9	276.6	279.7	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.8	197.3	197.1	199.3	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	758.87	754.38	753.26	756.53	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1065.83	1094.17	1074.16	1061.98	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	396.49	395.24	398.88	404.07	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1469.0¶	1443.0	1445.0	1411.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	3884.0¶	3864.0	3860.0	3828.0	3911.0 (20/6)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	614.98	603.37	602.83	611.65	687.62 (4/1)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	273.01	274.26	271.72	275.96	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1132.2	1130.1	1133.3	1135.5	1137.8 (19/6)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	751.1	749.1	745.1	749.0	766.1 (31/5)	590.4 (14/1)
SBC General (1/4/87)	621.3	621.0	618.8	622.2	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5591.96	5607.21	5604.69	5613.10	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	716.29	712.57	723.01	739.54	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	483.3*	482.1	483.8	498.4	529.2 (17/4)	439.1 (16/1)

**Saturday June 22: Taiwan Weighted Price: 6132.73 Korea Comp Ex. 590.57.
¶ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

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WORLD STOCK MARKETS

AMERICA

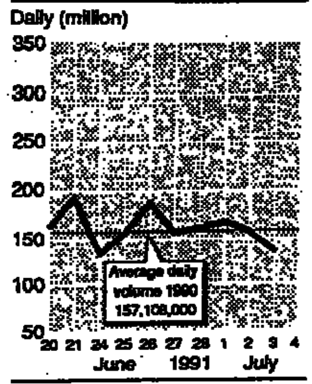
Equities mixed after encouraging jobs data

Wall Street

US STOCKS were mixed in light trading at midsession yesterday morning, as another overnight fall in Tokyo and weaker domestic bond prices were offset by encouraging employment news, *writes Patrick Harverson in New York.*

At 1pm the Dow Jones Industrial Average was down 2.68 at 2,932.02. The more broadly based Standard & Poor's 500 was slightly higher, up 0.37 at 373.70 at 1pm, while the Nasdaq composite of over-the-counter stocks was down 0.79 at 473.53. With many dealers and investors extending the Independence Day holiday into the weekend, turnover was very low at just 48m shares by 1pm. Rising stocks outpaced declining stocks by 704 to 514.

NYSE volume



The headline figure on the morning's employment report for June appeared to be bad news for stocks – non-farm payroll jobs were down by 50,000 and the unemployment rate rose to 7 per cent – but a closer look at the data showed some encouraging signs of an economic recovery. Analysts highlighted June gains in the average work week, overtime hours and in average hourly earnings as evidence of expanding economic activity.

Among individual issues BankAmerica was actively traded, rising $¾ to $34⅞ on turnover of almost half a million shares. The San Francisco-based banking group's stock fell earlier in the week on concern that it would join three smaller Californian banks in announcing that problem loan provisions had hit second quarter profits. However, BankAmerica moved quickly on Wednesday night to reassure investors that its earnings would come in as forecast, at around $267m.

In the same sector, Southeast Banking, plunged $⅝ to $1⅞ in active trading after it agreed to sell 18 of its offices in North Florida, along with all assets and deposits, to AmSouth Bancorp. AmSouth slipped $⅛ to $28⅝.

One of the day's biggest risers was Lewis Galoob Toys, which jumped $1⅛ to $5¼ after the company said that it had won a lawsuit against Nintendo of America, which would allow Lewis Galoob to begin selling its new Genie video game enhancer.

On the over-the-counter market Biogen climbed $⅝ to $27½. Investors bought the stock after the company said that it expected to report a 50 per cent increase in net income and a rise of about 20 per cent in revenues for the second quarter.

In contrast, a profits warning hit Laserscope, which fell $⅝ to $8½ after the company said it would post a loss for the second three months of 1991.

Canada

TORONTO stocks were stuck within a narrow four-point range in listless midday trade. Weakness in US treasuries, exaggerated by the low turnover, kept the market in check. The composite index rose 1.8 to 3,487.2. Advances led declines by 169 to 153 on turnover of 8.9m shares.

The gold sector was active. Placer Dome rose C$⅜ to C$16¼. American Barrick firmed C$⅛ to C$27, Corona class A shares gained C$⅛ to C$10¼ and Echo Bay eased C$¼ to C$11¼.

EUROPE

Paris leads gains in steady day for Continent

THE WEEK ended quietly for most bourses yesterday, with only Paris showing a significant index movement, *writes Our Markets Staff.*

PARIS enjoyed a gentle rebound, which gathered pace in late trading as Wall Street opened higher. The rally was technical after the recent weakness, although it was reinforced by hopes of an imminent cut in interest rates in the UK, which could trigger a cut in France.

The CAC 40 index recovered from a day's low of 1,697.08 to close 15.09 or 0.9 per cent higher at 1,723.14, but lost 1.4 per cent on the week. Turnover was similar to or less than Thursday's FFr2.08bn.

The French bourse this week has been at the mercy of international markets, and alternating fears and hopes on interest rates, which have given it a volatile time.

Bargain-hunting lifted most blue chips yesterday, with Elf Aquitaine up FFr2.50 at FFr345 on volume of 354,200 shares, Alcatel Alsthom FFr9 at FFr548, Peugeot FFr9 at FFr556 and LVMH FFr51 at FFr4,055.

Stocks regarded as oversold showed larger gains. Axa Midi, the insurer, rose FFr45 or 5.2 per cent to FFr905 and Thomson CSF, the defence electronics group, gained FFr6.20 or 4.7 per cent to FFr137.30.

Canal Plus, the television channel, fell FFr5 to FFr1,019 in active trading of 97,050 shares, which included a block of 72,000 at FFr1,015.50 each.

FRANKFURT ended a mixed week with the FAZ 1.90 higher at 682.83 in midsession, flat on the week, and the DAX 2.90 better at 1,618.91, 0.2 per cent lower over five days. Volume was said to be light after Thursday's DM6.9bn.

Banks went lower as the bond market fell again, but Allianz helped balance the financial sector with a rise of DM51 to DM2,228 after a five-day fall of DM153. Analysts said that it was showing a technical recovery after leading the market down last week.

Mannesmann went ex dividend and fell a net DM8.20 to DM270 in the London post-bourse. Mr John Longhurst of James Capel said that short-term prospects were threatened by uncertainty about start-up losses on the D2 cellular telephone system – Mannesmann has 51 per cent of the backing consortium – and by the prospect of lower order inflows and sales in engineering and steel tubes.

Siemens rose another DM6.50 to DM651. In January it said that 1991 profits would be flat, but yesterday it believed that a slight increase was possible.

FT-SE Eurotrack 100 - Jul 5

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1098.16	1097.19	1098.38	1099.79	1098.45	1096.47	1098.10	1098.71

Day's High 1100.03 Day's Low 1095.49

Jul 4	Jul 3	Jul 2	Jul 1	Jun 28
1099.95	1095.64	1109.86	1112.76	1106.47

Base value 1000 (26/10/90)

MILAN closed higher but in thin turnover. The Comit index added 2.54 to 570.40, down 2.7 per cent on the week. Volume was estimated at L105bn after Thursday's L107bn.

Fiat closed L37 higher at L6,038, and rose after hours to L6,110. After the close on Thursday, industry data showed that Fiat's share of the domestic market had slipped to 47.5 per cent in June from 52.2 per cent in the same month last year, but increased from 46.4 per cent in May.

Another source of optimism was the greater resilience of the Italian car market compared with other European countries, Spain and the UK in particular, falling only 1 per cent year-on-year in June. Fiat was reported to have said that it aimed to increase its market share back to 50 per cent and that its operating profits had improved, although no figures were given.

MADRID eased, with the general index down 1.25 at 273.01, for a 1.4 per cent fall on the week. Turnover fell to about Pta9bn from Pta16.7bn. Telefónica lost most of the previous day's gain, closing Pta9 lower at Pta973.

Sevillana, the utility in which the state-controlled Endesa group is raising its stake, was requoted after its suspension on June 28. The stock dropped Pta38 or 5.7 per cent to Pta628 on heavy volume of 2.41m shares, as speculation evaporated.

Tabacalera, the state-controlled tobacco group, gained Pta75 or 1.6 per cent to Pta4,900 after Thursday's sale of a 3.9 per cent stake to Rothmans.

COPENHAGEN extended its gentle uptrend, the CSE index rising 2.18 to 373.69 for a 1.7 per cent gain on the week. Traders at Den Danske Bank said that yesterday was marked by selective buying in Sophus Berendsen, the shipping company, and Danisco, the foods conglomerate, up DKr10 to DKr1,790, and DKr20 at DKr1,030, respectively.

AMSTERDAM closed mixed after barely moving from opening levels. The CBS Tendency index crept up 0.1 to 92.7, hardly changed on the week.

ISTANBUL jumped 3.6 per cent in active trading, for a 4.4 per cent rise on the week. Investors were optimistic about the political outlook and corporate earnings prospects. The 75-share index rose 131.87 to 3,745.50 in turnover of TL169bn, up from TL104bn.

VIENNA continued to recover as hopes grew of a swift resolution to the Yugoslav crisis. The all-share bourse index added 2.50 to 537.07.

SOUTH AFRICA

JOHANNESBURG's all-share index rose 42 to a record high of 3,420 on bullish sentiment and a lack of scrip. The all-gold index added 26 to 1,469 and the industrial index advanced 20 to 3,884. De Beers rose R4.50 to R86.

Europe stays at the top of fund managers' list

Jacqueline Moore on institutional investment plans

EUROPE remains firmly at the top of fund managers' equity shopping lists, in spite of the Continent's outperformance of other regions in the first half. The US is too expensive and Japan too risky, they say – but they do not intend to neglect them entirely for the rest of 1991.

Standard Life is staying light in the US and Japan, but heavy in Europe. Mr Dick Barfield, chief investment manager, explains: "The US looks expensive historically, while the pick-up in corporate earnings that should come in the next 12 months looks pretty fully discounted." However, he will be watching the US closely in the next quarter, to see whether he should raise his weighting there.

Japan also looks unattractive, says Mr Barfield, because prospects for corporate earnings are not exciting and the stock market seems stretched against bonds. However, he adds: "If short-term interest rates were to come down, that could change the outlook."

The Japanese market has few supporters. Mr Nitin Mehta, responsible for international strategy at Shearson Lehman Global Asset Management, points out that Japanese monetary policy remains tight, in spite of this week's discount rate cut.

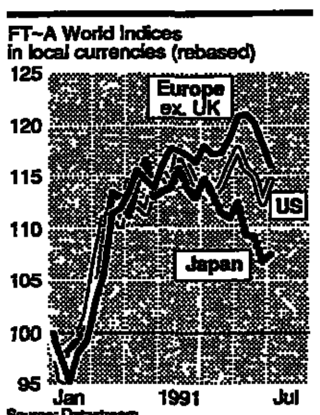
Some fund managers believe that Tokyo's underperformance may be coming to an end. "It is more attractive than it was," says Ms Patricia Maxwell-Arnot, who heads the European desk at Lazard Investors. "I believe that it is right to look there now. We remain neutral, but increasing." Fidelity, which takes a company-by-company, rather than country, approach, says that it already has a fair amount of investment in Japan, mainly in smaller companies.

The end of the first half has not prompted many sweeping strategy changes. Mr Mehta, for example, says that he favoured Europe in the first two quarters and continues to do so, with about 40-45 per cent of international funds invested in Europe, compared with about 33 per cent at the end of last year. Interest rate falls may be postponed, but they are more likely in Europe than elsewhere.

But others believe Europe may have peaked. Fidelity says that it is cautious on Europe for the short term, because most corporate results forecasts look over-optimistic. It is therefore concentrating on defensive stocks.

Ms Virginia Feilden at Thornton Investment Management, which also picks companies rather than markets, expects to put less into Europe now because of its recent strength. "We would reduce our European exposure on a short-term view," she states.

FT-A World Indices in local currencies (rebased)



Source: Datastream

Lazard, similarly, is reducing its overweight stance in Europe, says Ms Maxwell-Arnot: "The markets have run ahead strongly in the first part of the year. We're nervous about a correction, because investors seem unduly optimistic and any interest rate cuts might be further delayed." At the end of the second quarter, Lazard decided to raise cash, to take advantage of lower prices in the future.

Within Europe, some bourses attract widespread support, while others provoke only nervousness. Germany's popularity has faded after its strength in the second quarter. Higher inflation, a potential rise in interest rates, plans for a withholding tax on investment income, and worries about the cost of reunification have confused the picture.

"The biggest question mark in Europe is over Germany," says Mr Erich Stock, responsible for Europe at Shearson Lehman Global Asset Management. Nevertheless, he retains a significant presence in the German market, saying: "We will maintain at least a neutral weighting there, because it is so difficult to translate the likely cost of reunification into [corporate earnings] numbers."

France is also puzzling the fund managers. Most funds bought French equities in the first half, in anticipation of an interest rate cut which failed to materialise. Mr Stock says: "Foreign investors have already been overweight on the hope of lower interest rates. So where would the money come from to make the market rise further?" Standard Life, however, remains overweight in France, saying that equities look cheap against bonds.

Spain continues to enjoy fairly wide support, although many fund managers have taken profits after its strength this year. "The last quarter has been exciting for Spain, with the restructuring of utilities and mergers in banks," says Ms Massoumeh Khadjenouri of Shearson. "We have now lightened up, because Spain did so well. We're still overweight, but have reduced our percentage [of European funds invested in Spain] to 8 per cent from about 12 per cent a couple of months ago."

Standard Life has taken similar action, remaining overweight on Spain but reducing its holdings. Lazard Investors is more cautious and is slightly underweight. Mr Dino Fuschillo, responsible for Spain, explains that there is no economic pick-up yet, and anticipates disappointing first-half results in the industrial sector.

Switzerland, the Nordic markets and the Netherlands all also have their fans.

Overall, fund managers are continuing to shop mainly in Europe, but they are being selective – and many seem tempted to try out a few Japanese stocks again.

ASIA PACIFIC

Weak futures pull Nikkei below 23,000

Tokyo

A SHARP fall in futures towards the close pulled prices down yesterday. The Nikkei average closed below the 23,000 support line for the first time since January 16, *writes Emiko Terazono in Tokyo.*

The index rose in the morning to a session high of 23,364.00 on softer short-term interest rates. But it closed down 237.27 at 22,898.34, the day's low and down 1.7 per cent on the week, as dealers liquidated positions before the weekend.

Volume fell from 270m to 240m shares. Institutions, expected to buy on a fall below 23,000, failed to participate. Losses led gains by 694 to 216 with 180 unchanged. The Topix index of all first-section stocks fell 13.75 to 1,783.23 and, in London, the ISE/Nikkei 50 index fell 2.04 to 1,362.90.

Sentiment deteriorated on reports that the ministry of finance had confirmed that Nomura Securities and Nikko Securities had extended loans to a gangster group through affiliates. Nomura Securities fell Y40 to Y1,630 and Nikko Securities retreated Y2 to Y870.

Hitachi, the most active issue of the day, fell Y10 to Y1,150. The company denied newspaper reports that it had requested compensation from brokers. Tokyu, the railway company also named in this context, fell Y10 to Y1,010.

Japan Aviation Electronics Industry, an electronics company affiliated to NEC, plunged by its daily limit of Y200 to Y850 on reports that it had upgraded US missiles for Iran. NEC fell Y30 to Y1,460.

Nippon Telegraph and Telephone fell Y28,000 to Y851,000 following Thursday's rally on the government's review of restrictions on foreign ownership of the shares.

International electronics issues rose on foreign buying. Matsushita Electric Industrial gained Y20 to Y1,670, and Sony Y50 to Y6,350.

Trust banks, which had fallen on rumours that they had compensated clients for losses on trust fund investments, recovered. Mitsubishi Trust & Banking added Y20 to Y1,580.

Construction issues rose on the government's approval of Y200bn spending on infrastructure projects. Kajima rose Y40 to Y1,480.

In Osaka, the OSE average fell 143.69 to 25,844.88 on volume of 24.4m shares.

Roundup

PACIFIC Rim markets were moved by domestic matters.

HONG KONG closed at a 1991 high but well off the post-1987 crash peak of 3,919 reached in early trade. Turnover rocketed from HK$2.62bn to HK$3.38bn, the heaviest since May 1989. The Hang Seng index rose 42.00 to 3,892.71, up 6.1 per cent on the week.

AUSTRALIA was lifted by a smaller-than-expected current account deficit for May, and hopes of a cut in interest rates. Volume rose to A$171m from A$143m. The All Ordinaries index rose 12.3 to 1,536.2, up 1.9 per cent on the week.

MANILA was disappointed by Ayala Land's debut. The stock closed at 26.50 pesos, just above its offer price of 26 pesos. The market was also unsettled by the resignation of President Corazon Aquino's chief of staff.

The composite index fell 30.34 to 1,068.83, up 0.4 per cent on the week, in volume boosted to 1.9bn pesos by Ayala Land from 107m.

TAIWAN gained nearly 60 points in the first 10 minutes to a high of 5,667, on reports that the central bank would lower the discount rate. But a weak banking sector dragged the weighted index down 15.25 to close at 5,591.96, 5.3 per cent lower on the week.

SEOUL recovered after its recent weakness on reports that some construction companies, rumoured to be in financial difficulties, might be given government aid. The composite index rose 11.21 to 614.58, 2 per cent better on the week.

JAKARTA's index fell 1.07 to 341.78 on the two-for-one scrip issue from the feed producer, Japfa. Japfa "fell" 5,500 rupiah to 2,950, an ex-scrip gain of 137, prompting calls for the exchange to adjust the index for scrip issues.

BOMBAY was lifted by pharmaceutical shares on hopes that price controls on drugs might be lifted. The BSE index soared 58.66 to 1,357.32.

SINGAPORE's Straits Times Industrial index gained 6.51 to 1,476.65, down 0.9 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 4 1991								WEDNESDAY JULY 3 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	140.99	−0.5	130.24	123.97	134.51	122.84	−0.5	5.24	141.74	130.93	124.98	134.96	123.40	147.30	112.74	147.78
Austria (20)	171.33	+0.7	158.27	150.65	163.46	163.14	+1.1	1.67	170.12	157.15	150.02	161.99	161.36	222.37	167.00	260.74
Belgium (49)	123.91	−0.5	114.46	108.94	118.21	115.35	−0.3	5.11	124.56	115.06	109.83	118.60	115.65	151.20	121.73	151.55
Canada (115)	138.69	+0.3	128.11	121.94	132.30	114.74	+0.3	3.39	138.28	127.74	121.93	131.66	114.40	142.27	128.49	137.87
Denmark (37)	236.27	−0.5	218.25	207.75	225.40	227.76	−0.2	1.55	237.44	219.33	209.38	226.09	228.16	270.56	217.74	261.47
Finland (16)	91.94	+2.2	84.93	80.85	87.72	84.14	+2.7	2.86	90.00	83.13	79.38	85.69	81.90	125.15	90.00	136.29
France (114)	120.60	−0.7	111.41	106.04	115.05	117.77	−0.4	3.76	121.47	112.20	107.10	115.65	118.28	152.26	120.60	158.80
Germany (65)	102.74	+0.1	94.91	90.35	98.01	98.01	+0.3	2.28	102.61	94.78	90.49	97.70	97.70	125.35	102.03	138.18
Hong Kong (55)	160.22	+1.4	148.00	140.87	152.85	159.76	+1.4	4.85	157.99	145.94	139.31	150.44	157.60	161.77	119.62	139.75
Ireland (18)	141.03	+0.1	130.28	124.01	134.55	136.25	+0.3	3.75	140.86	130.11	124.21	134.12	135.89	182.46	132.88	189.55
Italy (77)	70.54	−0.4	65.16	62.02	67.29	71.95	−0.1	3.25	70.82	65.42	62.45	67.43	72.00	88.23	70.54	104.61
Japan (474)	125.77	−1.1	116.18	110.58	120.00	110.58	−1.4	0.76	127.17	117.47	112.14	121.10	112.14	146.97	118.35	149.71
Malaysia (68)	228.32	−0.1	210.90	200.74	217.81	245.64	+0.0	2.66	228.44	211.01	201.43	217.51	245.68	247.78	192.83	234.81
Mexico (16)	1025.28	+0.4	947.08	901.50	978.13	3380.32	+0.4	1.59	1021.63	943.71	900.87	972.79	3368.30	1079.72	684.45	494.05
Netherland (31)	129.89	−0.1	119.98	114.21	123.92	122.42	+0.1	4.38	129.98	120.07	114.62	123.77	122.36	145.73	125.70	141.16
New Zealand (13)	47.78	−0.6	44.13	42.01	45.58	44.72	−0.3	7.84	48.06	44.39	42.38	45.76	44.87	54.64	41.18	66.06
Norway (32)	184.56	−0.1	170.48	162.28	176.07	179.17	+0.2	1.64	184.71	170.62	162.88	175.88	178.82	223.24	182.24	237.04
Singapore (38)	188.53	−1.0	174.15	165.77	179.86	153.43	−1.3	2.21	190.52	175.99	168.00	181.41	155.49	208.25	161.63	202.45
South Africa (61)	233.39	+0.3	215.59	205.21	222.65	169.21	+0.3	3.23	232.69	214.94	205.18	221.56	168.70	236.46	173.00	179.05
Spain (55)	142.88	+0.5	131.98	125.63	136.31	124.53	+0.8	4.30	142.13	131.29	125.33	135.33	123.55	171.12	131.51	173.80
Sweden (26)	183.84	−0.5	169.82	161.65	175.39	180.57	−0.1	2.46	184.76	170.67	162.93	175.93	180.79	204.12	146.60	230.80
Switzerland (58)	87.36	+0.4	80.70	76.82	83.36	85.74	+0.4	2.25	87.00	80.36	76.72	82.85	85.41	100.67	82.17	108.16
United Kingdom (240)	158.26	+0.8	146.19	139.14	150.97	146.19	+0.8	5.02	156.94	144.97	138.38	149.43	144.97	187.44	156.27	169.12
USA (526)	151.05	+0.0	139.53	132.82	144.11	151.05	+0.0	3.20	151.05	139.53	133.20	143.83	151.05	158.24	125.95	144.91
Europe (838)	127.50	+0.3	117.78	112.11	121.64	120.08	+0.4	3.97	127.14	117.44	112.11	121.06	119.59	151.52	125.50	152.23
Nordic (111)	176.35	−0.4	162.90	155.06	168.24	164.89	+0.0	1.98	177.00	163.50	156.08	168.54	164.93	200.81	155.55	213.54
Pacific Basin (718)	127.14	−1.0	117.45	111.80	121.30	112.26	−1.2	1.14	128.40	118.61	113.23	122.27	113.67	145.92	117.86	149.14
Euro–Pacific (1556)	127.61	−0.5	117.87	112.19	121.73	116.17	−0.6	2.26	128.23	118.45	113.06	122.09	116.86	147.86	121.29	150.80
North America (641)	150.19	+0.0	138.74	132.08	143.31	148.80	+0.0	3.21	150.17	138.72	132.43	143.02	148.58	157.04	125.91	144.39
Europe Ex. UK (598)	108.91	−0.1	100.61	95.76	103.93	104.90	+0.1	3.20	109.04	100.72	96.17	103.85	104.79	129.30	106.85	140.53
Pacific Ex. Japan (244)	140.75	+0.1	130.02	123.78	134.29	127.00	+0.1	4.59	140.57	129.85	123.97	133.86	126.83	145.66	111.40	141.56
World Ex. US (1748)	129.61	−0.4	119.72	113.97	123.65	117.50	−0.5	2.31	130.17	120.24	114.79	123.95	118.13	148.16	122.32	150.84
World Ex. UK (2034)	133.70	−0.4	123.50	117.56	127.56	126.15	−0.5	2.39	134.23	123.99	118.37	127.82	126.73	145.77	120.06	146.51
World Ex. So. Af. (2213)	135.22	−0.3	124.91	118.91	129.02	127.70	−0.3	2.84	135.60	125.26	119.59	129.13	128.14	148.66	122.92	147.41
World Ex. Japan (1800)	142.50	+0.1	131.64	125.31	135.97	137.59	+0.2	3.53	142.33	131.48	125.52	135.55	137.36	152.83	126.69	147.98
The World Index (2274)	135.87	−0.3	125.50	119.47	129.63	128.07	−0.3	2.65	136.24	125.85	120.14	129.73	128.50	149.01	123.28	147.60

US market closed July 4. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
98¾	92⅞	Treas 9¾pc 2002	96⅝	+⅛	10.09	10.26
100⅛	94⅞	Treas 10pc 2003	98⅞	+⅛	10.16	10.21
108¾	102	Treas. 11½pc 2001–04	106¼	+⅛	10.82	10.46
58⅞	53⅝	Funding 3½pc '99-04	58⅛	+⅛	6.00	8.98
97⅛	90⅞	Conversion 9½pc 2004	95⅜	+⅛	9.97	10.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	95⅞	African Dv Bk 11¼Ln 2010	101⅞	+⅛	10.99	10.95
97⅞	91⅞	Asian Dev Bk 10⅛pcLn2009	96⅛	+⅛	10.66	10.73
112⅞	105⅞	Int-Am Dev Bk 12½pc 2003	110⅞	+⅛	11.27	10.81
92⅞	86⅞	Do. 9⅞pcLn 2015	90⅞	+⅛	10.73	10.82
122	101	[illegible]	122		13.52	13.21

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

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LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES — Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT – Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
Northgate Expl. CS1	82				
North West Exp	7				
Nor-Quest Res	109	+1			
Oryx Gold Hldgs	175	+2			
Phoeca Gold (R 2p)	15	-1			
Pleteau Mining 20p	27				
RTZ 10p	575	+4	19.5	2.2	4.5
Thorco Res. Inc.	7				
Vizcaya Hldgs 5p	5				
Young Group 10p	123		5.2	♦	5.6

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares.
γ Gamma refers to other traded instruments.
Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ *Interim since reduced, passed or deferred*
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- \# Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Craig & Rose £1 β	640xd	
Finlay Pkg. 5p β	27	
Holt (Jos) 25p β	1975	
Heitoe Hldgs γ	43	
IRG	128½	
United Drug	178	

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£99¾	
9pc Cap Ln. 1996	£97½	
Fin. 13% 97/02	£114¼	
Arnotts	165	+10

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	38
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intal	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	25
T&N	15
Unilever	60
Vickers	19
Wellcome	48

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tasker Res	2
Ultramar	38

Mines

Lonrho	21
RTZ	48

FINANCIAL TIMES
Weekend July 6/July 7 1991

EC bans arms sales and aid to Yugoslavia and sends mediators on new mission

Slovenia agrees to talks over borders

By **Judy Dempsey** in Ljubljana, **Laura Silber** in Belgrade and **David Buchan** and **Ronald van de Krol** in The Hague

THE THREAT of massive federal army intervention in Slovenia subsided last night after the rebel republic said the status of its external borders could be negotiated with the European Community and Yugoslavia's political leaders.

EC foreign ministers meeting in The Hague decided to send ministerial mediators back to Yugoslavia today. They also decided to ban arms sales and suspend aid to Yugoslavia.

There were more violent clashes between ethnic Serbs and Croats in the western republic of Croatia, and skirmishes in Bosnia-Hercegovina.

Federal units were positioned in Slavonia, western Croatia, fuelling speculation that the Serbian-dominated army was preparing to defend ethnic Serbs against the Croats in any escalation of violence.

Mr Hrovje Hitrec, Croatia's information minister, accused the Yugoslav army of reinforcing its troops and asked the federal presidency to curb military activity. He said the Croatian government had asked the presidency to order federal commanders to confine remaining units to barracks.

After chairing the emergency meeting of foreign ministers in The Hague, Mr Hans van den Broek of the Netherlands said the Community was in effect demanding that Slovenia return control of its border posts to the federal Yugoslav authorities. The EC made only a veiled reference to the threat that it might recognise Slovenia and Croatia as a means of pressuring Belgrade. Only Denmark gave some backing to German efforts to make such a warning explicit.

CSCE scrapes through ....Page 4
When nation into state won't go ....Page 8

The final communiqué said that the 12 member countries would reconsider their stance "in the event of any further breach of the ceasefire, in particular should unilateral military action be taken".

The EC is also sending a monitoring force of between 30 and 50 unarmed observers to supervise the ceasefire, as requested by the 35-nation Conference on Security and Co-operation in Europe (CSCE).

Slovenia's official press agency reported that the Slovene presidency felt that the status of Yugoslavia's borders "could be solved on a tripartite basis, together with the EC".

One demand issued in an eight-point statement by the country's collective presidency on Wednesday night was for Slovenia to restore the status of its external borders to Yugoslavia by July 7, or face possible attack by the federal army.

In what appeared to be a further compromise in Ljubljana, the Slovene government announced that 10,000 of its territorial defence units had returned to barracks. It also said arrangements were being made to return federal army prisoners captured by the republic's defence forces during last week's heavy fighting.

In Belgrade, the federal capital, General Marko Negovanovic, a member of the federal army's chief of staff, criticised the role played in last week's events by Mr Ante Markovic, the federal prime minister. "He is trying to distance himself from the activities of the army and the defence ministry, which is now in accordance with the role of the federal government," he said.

ANC elects moderate secretary general

By **Patti Waldmeir** in Durban

THE AFRICAN National Congress yesterday elected a moderate new leadership that will sharpen the organisation's image and strengthen its negotiating team in talks on a post-apartheid constitution for South Africa.

In the most significant leadership shift of the organisation's 79-year history, the ANC signalled its intention to move from the battlefield to the conference table by electing a new secretary-general, Mr Cyril Ramaphosa, who has proved himself to be black South Africa's most able negotiator.

As general-secretary of the National Union of Mineworkers since 1982, and as a respected community leader in Soweto, Mr Ramaphosa, 38, has gained a reputation as a tough but flexible bargaining partner.

His election to one of the ANC's top four posts puts him in direct line to succeed Mr Nelson Mandela, 72, who was yesterday elected unopposed as ANC president.

Some 2,200 delegates to the ANC's national conference in Durban voted in the leadership elections. These were seen by many delegates as the first legitimate national elections held in South Africa, where national polls exclude blacks.

Mr Ramaphosa's election reinforced Mr Mandela's message earlier in the week that supporters should prepare for constitutional negotiations "sooner rather than later".

As Mr Mandela's deputy, the conference elected Mr Walter Sisulu, 79, doyen of the former prisoners who have previously dominated the ANC leadership.

It also elected Mr Oliver Tambo, the incumbent president, who was incapacitated by a stroke three years ago, as ANC national chairman.

The great negotiator, Page 3

NEC 'regrets' Iran military deal

By **Robert Thomson** in Tokyo

AN ELECTRONICS subsidiary of Japan's NEC Corporation admitted yesterday that it had unlawfully shipped components for use in Iranian missiles. Japanese police further alleged that it had supplied navigation equipment for Iranian jet fighters.

Japan Aviation Electronics Industry Company, in which NEC holds a 50.2 per cent stake, produces navigation equipment for rockets and aircraft. It was forbidden by Japanese law from exporting military-related technology to Iran during the Iran-Iraq war.

The company admitted that it had "repaired" and exported, via Singapore, about 1,500 flywheels, which were used to improve the guidance of Iran's Sidewinder air-to-air missiles.

The revelations embarrassed the Japanese government, which has begun to take a higher profile in international moves towards greater arms control. The government is also concerned that its reputation in Washington may suffer.

NEC said it was "truly regrettable" that an affiliate had been implicated. The Japan Defence Agency said it might withhold contracts from JAEI, which last year earned Y4.1bn (£18.3m) in its dealings with the agency.

Mr Toshiki Kaifu, Japan's prime minister, said the government would "deal strictly" with JAEI, and hoped that the scandal would not affect his discussions with President Bush next week.

Mr Kaifu is visiting the US on the way to the Group of Seven meeting in London, where he has planned to push for tougher controls on arms exports.

After police raids on JAEI's offices yesterday, investigators were still uncertain about the extent of its dealings with Iran from 1984 to 1989.

Mr Koichi Kondo, senior managing director, said JAEI was paid about Y35m for the flywheels. He apologised for the company's "mistakes", but said "only a few people" were aware that the components were for missiles because "flywheels are new to our company".

Police said they had been tipped off by US investigators involved in the Iran-Contra case. They expressed disbelief that a company, which is a world leader in aviation electronics, would only be requested to "repair" flywheels – a relatively simple item.

JAEI makes liquid crystal displays for US air collision avoidance systems, sophisticated remote-control helicopters, customised semiconductors for weaponry, and advanced navigation equipment for the H2 rocket which is being developed by Japan's National Space Development Agency.

Police alleged that JAEI had also supplied navigation components for Iranian F4 Phantom jets from 1983 to 1986, again through Singapore.

Brokers' tax bill, Page 3

Brent Walker banks object to terms of rescue package

By **Maggie Urry**

A POTENTIALLY critical hitch has developed in the talks between Brent Walker and its banks over the UK leisure group's rescue plan.

The Bank of England is understood to have stepped in again to help smooth matters. One banker said yesterday: "Things are critical, it is coming to a crunch point".

Brent Walker announced yesterday that some of its 47 banks had objected to the deal agreed more than two weeks ago with holders of Brent Walker's £101.9m of convertible bonds.

Another stumbling block to the restructuring plan is that some of the banks, mainly Japanese, have approved it in principle but are refusing to put new money into Brent Walker.

The plan included Brent Walker borrowing a further £70m, of which £20m has already been lent, to cover working capital needs and some small but essential capital expenditure.

The Bank of England has apparently discussed the problem with the Bank of Japan.

Under "London rules" if new money is needed in a refinancing all the banks involved contribute in proportion to the size of their original exposure. By contrast, the Japanese practice is for the lead banks only put in fresh loans.

The Bank of England was involved last October when Brent Walker was threatened with receivership, and in May helped to persuade Hill Samuel, Brent Walker's merchant bank, not to resign.

One observer said Brent Walker's banks had hardened their attitude because they were annoyed by Mr George Walker's attempts to remain on the board.

Mr Walker, who was ousted as chief executive at the end of May, is still a non-executive director. On Tuesday he defeated an attempt to remove him from the board at a special meeting of shareholders.

A banker said that since Mr Walker had served writs on most of the steering committee banks a week ago, "it has been a superhuman job to get the banks into line".

The banks' concern at the bondholders' terms is that they have been given security through the proposal to convert part of the bonds into £73.2m of secured loan stock. Thus bondholders leap-frog the banks in the security hierarchy as the banks are swapping £250m of their loans into equity.

The bondholders argue that they have delivered their side of the deal – signed between them, the company, the company's advisers and some of the steering committee banks – and the company should adhere to its bargain.

Labour sets up inquiry into Walton by-election

By **Alison Smith**

LABOUR yesterday ordered an inquiry into the actions of party members who failed to support Mr Peter Kilfoyle, the Labour party victor of Thursday's Liverpool Walton by-election.

A report on the by-election will go to Labour's national executive's organisation subcommittee in about 10 days. Officials gathered evidence during the campaign about party members who supported Ms Lesley Mahmood, the left-wing Real Labour candidate, who polled fewer than 3,000 votes.

The report could name up to 30 people against whom there was immediate prima facie evidence of working for Ms Mahmood. It is likely to be followed by further reports.

Although Mr Roy Hattersley, Labour's deputy leader, said an inquiry would be normal after any by-election, attention will inevitably focus on Mr Terry Fields, the Labour MP for the nearby constituency of Liverpool Broad Green, who took no part in Mr Kilfoyle's campaign.

Mr Neil Kinnock, the Labour leader, said that those involved in Ms Mahmood's campaign would be dealt with under the party's constitution. Although inactivity is not a disciplinary offence, he said Mr Fields must explain why he had not campaigned for Mr Kilfoyle.

As Mr Kinnock called the result, which saw Labour's majority cut from more than 23,000 to less than 7,000 by the Liberal Democrats, "a fine by-election win", Mr Chris Patten, the Tory party chairman, admitted that the Tories' performance was "disappointing".

Some Tories say privately that the party needs to act to try to remedy its apparent irrelevance in some inner cities. Publicly, however, both Mr Patten and Mr Berkeley Greenwood, the Tory candidate, attributed his lost deposit and fourth place to tactical voting by habitual Conservative supporters which helped Mr Paul Clark, the Liberal Democrat candidate.

Mr Clark said the result, on a turnout of under 60 per cent, was "an indictment of tired policies" and showed there was "no love for Labour".

Parties take lessons, Page 4

Fewer Names likely to face heavy losses

ONLY about 40 Names – the individuals whose capital backs underwriting at Lloyd's – are expected to lose more than £100,000 as a result of the insurance market's losses in 1988, far fewer than expected, writes Richard Lapper.

It is understood that about 750 of the market's 33,920 Names will lose more than £50,000 after tax. Lloyd's has reported an overall deficit of £510m for 1988, when losses were concentrated among syndicates – groups of Names – specialising in catastrophe and US liability business.

Some 10,000 Names will make a profit, with one making a net profit of £200,000. About 8,000 Names will register losses of under £5,000, while 10,000 Names can expect to lose up to £20,000. The calculations are on the assumption that Lloyd's Names pay tax at UK rates.

Many Names, however, face the cost of additional cash calls as a result of earlier losses and could pay a total of £300m this year.

Some of the most badly affected Names will be able to call on stop loss policies to reduce the impact of losses.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Allianz AG	2228	+	51
Altana Ind	625	+	15.5
Gerresheimer	423	+	12
Schmalbach Lub	492	+	17
Falls			
Volkswagen	378.5	–	19
Volkswagen Prf	325	–	21
NEW YORK ($)			
Rises			
BankAmerica	34⅜	+	⅞
Biogen	27½	+	⅝
Lewis Galoob	5¼	+	1⅛
Falls			
Amsouth	28⅜	–	⅛
Laserscope	8½	–	⅜
Southeast Bkg	1⅝	–	⅜
New York prices as at 12.30			
LONDON (Pence)			
Rises			
Anglian Water	296	+	16
BAT Inds	751	+	16
Br Aerospace	575	+	11
Burtonwood Brw	118	+	7
Cadbury Schw	378	+	13
Grand Met	758	+	16
Lasmo	344	+	9
Norweb	215	+	14
Seeboard	206	+	12
Thurgar Bardex	40	+	15
Tiphook	474	+	21

PARIS (FFrs)			
Rises			
Axa	905	+	45
CGIP	985	+	27
Sommer-Allibert	1379	+	91
Falls			
Cogifi	330	–	15
Intertechnique	1045	–	33
Pinault	268	–	11
TOKYO (Yen)			
Rises			
Katsumara Cons	1370	+	170
Falls			
Japan Aviation	850	–	200
Seiko	2300	–	310
Shimura Kako	610	–	60
Takuma	875	–	100
Toyo Kanetsu	920	–	100
LONDON (continued)			
Verson Intl	35	+	3
Whitegate Leis	27	+	4
Falls			
Applied Holog	145	–	15
Barry Wehmllr	158	–	15
Barratt Devs	91	–	7
Bucknall	88	–	9
Canning (W)	116	–	8
Clinton Cards	208	–	22
Crest Nichlsn	46	–	5
Mountleigh	38	–	18

ICI

Continued from Page 1

Mr Friend said any deal "would be pointless unless ICI could increase its stake in pharmaceuticals". However, ICI could not afford to spend several billion pounds buying a similar sized pharmaceutical business outright.

An acceptable model would be last year's merger of Rhône-Poulenc with Rorer. Rhône-Poulenc, the French state-owned chemical group, combined its pharmaceutical business with Rorer of the US and took a 68 per cent stake in the merged company.

A partial takeover of that kind, leading to a separately quoted pharmaceutical company in which ICI had a majority stake, would require substantial outlay – the net cost to Rhône-Poulenc was $1.7bn – but it would be feasible financially for ICI.

Mr Friend would not identify the companies that ICI had shortlisted. It is believed to have had merger discussions with Wellcome of the UK and some analysts say that ICI-Wellcome would be an ideal match because of the companies' complementary products.

It may be ruled out, however, by ICI's insistence on retaining control over any merged group. Wellcome Trust, the medical charity which owns 74.5 per cent of the company, is not allowed to give up control without approval from the Charity Commissioners.

Japanese drug companies have approached ICI about an international alliance, according to Mr Friend, "but we have always said that we are not really interested".

WORLDWIDE WEATHER

Today: the hot and sultry weather will be overtaken by fresher but still pleasantly warm conditions from the south-west. Thundery rain will break out in parts of the south-west and Wales in the afternoon, but it will be predominantly dry over central and southern regions. **Outlook:** dry and sunny.

		°C	°F
Ajaccio	S	25	77
Algiers	S	38	100
Amsterdam	S	26	79
Athens	T	25	77
Bahrain	S	36	97
Barcelona	S	25	77
Belfast	S	22	72
Belgrade	R	21	70
Berlin	S	27	81
Biarritz	T	18	64
Birmingham	S	25	77
Blackpool	F	24	75
Bombay	F	31	88
Bordeaux	T	19	66
Boulogne	F	27	81
Bristol	S	26	79
Brussels	S	26	79
Buenos Aires		–	–
Budapest	S	30	86
Cairo	S	30	86
Cape Town	C	12	54
Cardiff	S	27	81
Chicago †	S	20	68
Cologne	F	29	84
Copenhagen	S	27	81
Corfu	S	25	77
Dallas †	S	22	72
Dublin	S	19	66
Dubrovnik	C	24	75
Edinburgh	F	17	63
Faro	S	22	72
Florence	S	30	86
Frankfurt	F	29	84
Geneva	S	27	81
Gibraltar	S	25	77
Glasgow	S	20	68
Guernsey	S	21	70
Helsinki	S	24	75
Hong Kong	F	30	86
Innsbruck	F	28	82
Inverness	S	18	64
Isle of Man	S	23	73
Istanbul	R	20	68
Jersey	C	25	77
Johannesburg	S	16	61
Las Palmas	S	22	72
Leeds	F	22	72
Lisbon	C	21	70
Locarno	S	29	84
London	S	26	79
Los Angeles †	C	18	64
Luxembourg	S	28	82
Madeira	F	22	72
Madrid	S	23	73
Majorca	S	30	86
Malaga	S	30	86
Malta	S	29	84
Manchester	S	24	75
Melbourne	C	11	52
Mexico City		–	–
Miami †	S	27	81
Milan	S	30	86
Montreal †	R	17	63
Moscow	C	23	73
Munich	S	27	81
Nairobi	R	19	66
Naples	S	27	81
Nassau		–	–
Newcastle	F	19	66
New Delhi	S	38	100
New York †	R	19	66
Nice	S	24	75
Nicosia	S	25	77
Oporto	F	19	66
Oslo	S	28	82
Paris	S	30	86
Peking	C	31	88
Perth	C	14	57
Prague	F	27	81
Reykjavik	C	16	61
Rhodes	S	24	75
Rio de Janeiro		–	–
Rome	S	26	79
Salzburg	S	26	79
S'Francisco †	F	12	54
Santiago		–	–
Seoul	S	30	86
Singapore	F	33	91
Stockholm	S	27	81
Strasbourg	S	30	86
Sydney	R	14	57
Tangier	F	21	70
Tel Aviv	S	26	79
Tenerife	S	24	75
Tokyo	F	30	86
Toronto †	C	30	86
Tunis	S	34	93
Valencia	S	32	90
Venice	S	28	82
Vienna	S	29	84
Warsaw	F	26	79
Washington †	Dr	22	72
Wellington	S	8	46
Zurich	S	25	77

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Mountleigh in the rescue queue

Shares in Mountleigh are now worth a fifth of what they were when Messrs Peltz and May climbed aboard in late 1989. One question investors may care to ponder after yesterday's £96m cash call is whether this less than dynamic duo deserve to be paid commissions for simply taking up their rights. Another is the way in which two sub-underwriters – a Bahamas-based trust owned by the Pritzker family of Hyatt hotel and Berisford fame, and a Danish MEP – not only pick up fees for their trouble but get guaranteed stakes in the company at 25p.

Still, the fact that the costs of the issue amount to a whacking 9-10 per cent of the proceeds – mainly due to negotiations with the banks – illustrates that there is a price for everything. What shareholders have to decide now is whether they want to assist in an orderly liquidation of Mountleigh's UK property portfolio in the hope that an under-funded Spanish department store will one day come good. There is still no knowing where UK property values will finally sink to; but it is not unfair to assume that gearing can virtually disappear over the next couple of years. After the latest write-downs the UK portfolio should fetch £400m-£450m, which compares with net borrowings of under £550m if the issue is a success.

The doubt is whether Galerias really has the potential which its owners have consistently claimed. Certainly it has provided nothing but disappointment so far, and even tripled profits would only provide about 5p of earnings for the greatly enlarged volume of shares. With dividends dependent on Mountleigh's highly unpredictable cash flow, the 8 per cent yield on the theoretical ex-rights price is hardly a snip. Since the underwriters so clearly want it, perhaps they should have this one to themselves.

Markets

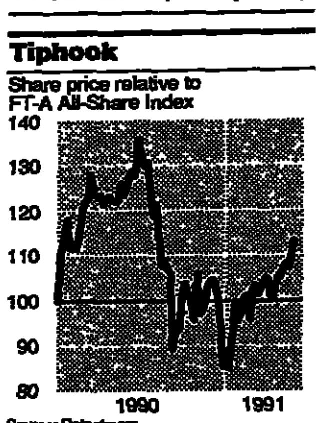
This week's 70-point recovery in the FT-SE, while strikingly resilient in the circumstances, seems to confirm that the market is locked into a trading range of unusual narrowness and duration. In the past four months the FT-SE has traded within 2.5 per cent either side of 2480. A week ago it threatened to break downward; it is now bang in the middle of the range again.

The dominant impression is of a market hedging its bets on both politics and economics.

FT-SE Index: 2,484.7 (+14.3)

Tiphook

Share price relative to FT-A All-Share Index



Source: Datastream

This week's recovery will have owed something to evidence of Tory improvement in the opinion polls. But if the 2.5 per cent band is anything to go by, the market is pretty apathetic either way. Perhaps more important is the drama being played out in Tokyo, where the Nikkei has fallen below the critical 23,000 level despite Monday's cut in Japanese interest rates. Further weakness would suggest further rate cuts. But this is of limited relevance to the UK if, as seems likely, the Bundesbank remains more concerned with domestic monetary pressure than with international co-operation.

As for the home economy, the UK market managed this week to shrug off dire news on car sales, a profits warning from Lucas and a rescue rights issue from Mountleigh. This is useful evidence of realistically low expectations. The fact remains that whereas the market is overdue for a substantial move either way, deciding which way it will go is now an even bet.

Tiphook

The stock market has always been reluctant to give Tiphook the benefit of the doubt, largely because it is a highly geared company involved in leasing. Admittedly, the UK recession has ensured a lacklustre performance from its trailer rental business. But its acquisition of Sea Containers has paid off handsomely, the result being a 129 per cent rise in pre-tax profits for the group. This is unlikely to be repeated this year, and in any case may have been somewhat overstated by the decision to write off as much as £139m in goodwill from Sea Containers in the previous account.

Still, Tiphook's predilection for such accounting quirks does not fully justify its current modest multiple of seven times earnings. With a leasing business, it is cash flow that counts. The 50 per cent dividend increase suggests Tiphook is now confident it can generate a solid stream of cash through organic growth. The disadvantage is that the company will sooner or later have to start paying tax as capital spending slows. At the same time, gearing should come down from its present level of 300 per cent. But this is a mixed blessing when there is plenty of cash to finance debt. In the medium term, the choice for Tiphook's shareholders is between high debt and high growth.

BCCI

A customer list that included the Panamanian ex-President Manuel Noriega has for a long time been enough to make the international banking community cautious in its dealings with the Bank of Credit and Commerce group. BCCI's borrowings from other banks are correspondingly low, and its closure should not provoke any general financial crisis. Compensation to small UK customers looks set to leave a gaping deficit in the UK's deposit insurance scheme, however, necessitating a fresh levy on banks. On a worse case scenario, this could absorb as much as £500m of collective profits.

The stock market took the news calmly yesterday. But as they dip in their pockets, bankers might well ask themselves why it took the regulators so long to act; all the more so since the parent bank's Luxembourg regulator now suggests the practices which precipitated the closure had been going on for many years.

Brent Walker

The Brent Walker affair has taken another downward lurch, with £1.2bn of bank loans once more in jeopardy. It would scarcely be surprising if the self-serving obstinacy of Mr George Walker and the behaviour of his supporters at Tuesday's shareholder meeting had alienated the group's bankers still further. More to the point, accounts of the Bank of England seeking to intercede with the Bank of Japan suggest that the weakening of the Japanese banks' capital ratios caused by the latest fall in the Tokyo stock market may already be having its effect on Japanese lending policies.

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Racing to beat the prophets of doom

***Michael Thompson-Noel** studies current form off the track on very hard going*

HORSE RACING is the sport of kings, but also that of sheikhs, nabobs, crooks, the super-rich and almost-broke, the beautiful and the damned. It is a fantasy world propped on mountains of cash that keep on disappearing – mainly, in Britain, into the lead-lined pockets of the cleverest players of all, the bookmakers.

At present, British racing is harried by recession. Gloom is all around. Betting is subdued, owners are cutting back and some businesses are folding. As a committee of MPs said in May, after studying the horse-race betting levy which keeps the sport going: "The fat years are at an end."

Yet with its *penchant* for exaggeration, the racing world has overdone the gloom thing and is in danger of talking itself into depression. In spite of hard times, the show goes on – just as it always has. Today, for example, at Sandown Park racecourse, a glossy field of racehorses, some worth millions, will contest a six-figure prize in the Coral-Eclipse Stakes, one of the season's most glamorous events and one that emphasises the sport's traditions and longevity.

To discover where racing is heading, I went in search of three men – a racehorse trainer, the chief executive of the Jockey Club, and an expert on bookmaking – who are particularly well placed to peer beyond the recession and to set the sport's ceaseless money-wrangling in some sort of context.

I did not look for losers. Instead, my first port of call was Beckhampton Stables, in the drowsy Wiltshire countryside, where Roger Charlton – tall, courteous, bespectacled, intelligent – trains 65 horses, many of which race for blue-chip owner-breeders like Prince Khalid Abdullah of Saudi Arabia, Stavros Niarchos, Lord Derby and Lord Weinstock.

Charlton electrified the UK racing world last year – his first season as a trainer – by sending out the winners of two Derbys, the English and the French, and earning £1.2m in win-and-place prizemoney. Of that, about £800,000 was gathered in by Quest for Fame (winner of the English Derby) and Sanglamore (French). Both these money-spinners are still in training as four-year-olds. Indeed, Sanglamore lines up for to-day's big Sandown race.

Quest for Fame and Sanglamore were part of the string Charlton inherited from the former boss of Beckhampton, Jeremy Tree, to whom Charlton was assistant trainer for 12 years. Today, Charlton owns a majority of the shares in Beckhampton Stables Ltd, though Tree retains a stake.

To start with two Derby winners in his first full season as a trainer marked Charlton as golden-fingered. But as well as luck, he has talent and great shrewdness. His background is perfect: a farming-and-horsey childhood, then point-to-points and racing; 2¼ years in stockbroking; then a long apprenticeship at Beckhampton, where recent successes mean that debt of £100,000-plus has been worked down to zero over the past four years.

When I met Charlton he was wearing a phosphorescent green cardigan, cream slacks and suede casuals. "I have been very, very lucky, whereas most trainers are crippled by overdrafts," he said. "Our yard's capacity of 68 horses is not really viable because racing is definitely a percentage game when it comes to getting winners. The more horses you train, the more your chances of producing champions.

"On the other hand, 250 horses here at Beckhampton would be chaos. The more horses, the more headaches, especially in dealing with owners. Perhaps 80-90 would be an ideal number. At that level I could compete with the best. My luck last year lay in having two exceptional horses. Winners like that will carry a yard. I did some calculations, and found that last season my all-up cost, including maintenance of stable and gallops but excluding a salary for myself, was £34.50 per horse per day,

Not all gloom. In spite of the recession, lucky racehorse owners like Sir Gordon Brunton, the well-known businessman and chairman of the *Racing Post*, are still enjoying themselves. He is pictured with his gallant six-year-old mare, Indian Queen, which scored a cork-popping, 25-1, six-figure-prize success, by a neck, in last month's Ascot Gold Cup. "We race our horses for fun," said Sir Gordon in the unsaddling enclosure.

whereas my training charge to owners was £32 per horse per day. What carried us through was the trainer's percentage of stable prizemoney (say 10 per cent: £120,000), plus the income from stud fees earned by Beckhampton Stables Ltd deriving from good horses trained by Jeremy in the past."

So far, Charlton's 1991 season has been as quiet as the tomb compared with the fairground raucousness and dizzy celebration of his first season, though in recent days Beckhampton's form has turned red-hot.

To survive, trainers have to be astute and financially able. For example, Beckhampton has planning permission to build an additional 20-horse barn, which would cost a minimum of £100,000. "That money would have to be borrowed," says Charlton. "Fortunately, I held off. If I had gone ahead and built it just as the recession was striking racing, it would have been totally empty this spring.

"So far, no-one has asked me to buy a yearling for them to race next year. Times are depressing. The recession has hit racing very hard. Big names are backing out, others haven't come forward. In recent months, would-be owners have read a huge mass of damaging statistics and analysis spelling out how low the average prizemoney returns are for owners in Britain."

On the other hand, says Charlton, the prospect of extra money for racing, as recommended recently by the House of Commons' home affairs committee, would be a big help, "especially as the low point in the recession must be approaching – the moment when it is fair to tell owners to start nibbling again: that now is the time to buy nice horses at sensible prices that stand a fair chance of making good returns."

Of the racing business generally, Charlton says that "good people who run their businesses professionally ought to survive." And he says it is hard to disagree with the contention that over a reasonable time-scale – particularly the 1980s – British racing can be shown to have prospered mightily. In 1989, the number of horses in training in Britain (both Flat and jump racing) was 12,961, against 9,761 in 1977; there were 1,005 race-fixtures in '89, against 896 in '77; track attendances were 4.9m, versus 4.1m; Flat-race prizemoney was £27.5m against £8.3m; and off-track betting turnover had been boosted out of its mid-1980s trough by the impact of live satellite race-broadcasts to betting shops.

At present, most growth-lines are drooping. But if the recession is doing little else, it is reinforcing the truism that horse-racing is for those who know what they are doing. Owners need to be wealthy, unless they are huddled safely in multi-owner syndicates; racehorse breeders have to be well-capitalised to survive the jungle of the bloodstock market; trainers need to know their peculiar craft intimately and not rest their hopes on debt and prayer; racecourses need marketing *chutzpah*.

Increasingly, the racing industry *does* seem to know what it is doing, according to Christopher Haines, an experienced businessman, now chief executive of the Jockey Club, which governs the sporting side of racing (rules, fixtures, discipline, etc) though it does not control the purse-strings.

In May, the MPs' report on the betting levy upheld the Jockey Club's argument that the bookmakers pay too little for the privilege of sucking good profits out of racing, and suggested that the sum paid to racing via the Horserace Betting Levy Board be boosted from around £37m at present to £50m (1991 prices), starting next year – the extra being paid for, insisted the MPs, by the Big Three bookmaking firms, Ladbroke, Coral, William Hill, and *not* the hapless punters. This was an important victory for the Jockey Club – the first real reversal the bookies had suffered in many a long year.

"For the first time," says Haines, "racing's fundamental problem was given official recognition – that the betting levy is set at far too low a rate. Our aim had been to change the nature of the debate and get the MPs to realise that racing is in the final stages of maturing from a sport into an industry.

"What I've done since arriving at the Jockey Club is to assemble a proper financial overview of racing. We now have a model of the industry and can see the true economics. We can talk real business. The frustration I have is that racing does not have a direct negotiating relationship with the bookies. This is what we want to achieve, for we are determined to see that there is a recognised relationship between the costs of the racing product and its revenue."

I put it to Haines that the Jockey Club was still burdened by its image as a pompous and fuddy-duddy, almost feudal, body that was self-elected, self-serving, snobbish and run by land-owners and aristocrats out of touch with modern business life. He did not hit the roof. "Self-elected? That we can't deny," he said cheerfully. "Self-serving? There is no sign of that at all. Snobbish and land-owning? Those are just words. The current team of stewards contains a great deal of business experience.

"The Jockey Club must be judged on what is does. Look around and you will find a degree of co-operation within racing that is much greater than imagined or acknowledged. There are working parties on all sorts of matters; problems are being solved all the time. I am genuinely optimistic about racing's future. In business, you often have to invent a new product and then spend a fortune refining it and marketing it. But racing hasn't got to do that. It has a wonderful product already."

In spite of Haines' upbeat assessment of racing's future, hopes that the bookmakers can be sweet-talked into dipping into their own pockets and handing the sport an extra £13m or so (at 1991 prices), as suggested by the MPs, are likely to be dashed. The bookies are adamant: they did not like the MPs' report ("superficial and populist") and have no intention of seeing their profits lowered to boost racing's income. If they were backed into a corner, they say, they would simply pass the burden of higher levy payments on to the punters, who already pay a 10 per cent charge off-track to cover betting tax (8 per cent), betting levy, VAT, and who knows what.

There are high hopes that this will be a vintage English flat-racing season

To find out why the bookies are so intransigent, I went to see Tom Kelly, one-time editor of the *Sporting Chronicle*, now director of the Betting Office Licensees' Association, members of which own nearly 6,000 of Britain's 9,500 off-track betting offices. Kelly is a hard man to argue with: a doughty baseliner who slams statistics at you with robot-like efficiency.

"The first three months of 1991 were fairly disastrous, with total betting turnover (horses plus other sports) down 6.6 per cent, or £120m," said Kelly. "We expect things to pick up a bit, though as long as the recession lasts we don't expect betting to outpace spending on other leisure activities. Anyway, 28 per cent of UK betting shops have a turnover of less than £220,000, which is barely viable.

"One of the reasons we found the MPs' report superficial is that we

Continued Page XIX

CONTENTS

Learning to cook, to serve and to make money . . . student chefs at college in Birmingham **page XVIII**

The Long View/**Barry Riley**

Superpay for superboss

MONEY IS the appropriate measure of success in capitalism, and the hefty increases in remuneration now being awarded to themselves by many top executives are symptoms of the triumph not just of capitalism in general but of international managerial capitalism in particular.

I make the distinction because historically capitalism was about the entrepreneur and the proprietor; managers were mere hirelings and administrators, and given a suitably low status.

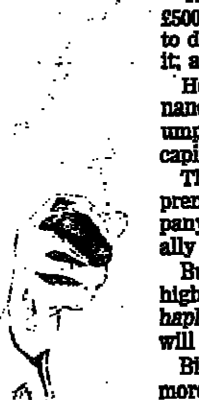
But today, for most large companies, the proprietor has become an absent investment institution or, in some countries, a grey banker. This has raised all sorts of governance issues, not least in remuneration, and the opportunity has been there for the hireling managers to drop their subservient pose and pursue a boardroom power revolution.

In the UK the average chief executive's pay in top public companies has risen roughly from £90,000 to £400,000 over the past ten years. That is an increase of 4.5 times, about double the rise in the pay of the average employee.

You can call this greed, insensitivity or imprudence. Yet there is a clear message being sent out of a rather different, economic kind. The advanced industrial countries in recent decades have generated unprecedented wealth and technological progress, and it has been achieved by and large by independent corporate enterprises. Nikita Khrushchev boasted that communism would bury capitalism, but today the centrally-planned economies lie in ruins. Now the leaders of this counter-revolution are claiming their rewards. The message is going out to the politicians and the civil servants, who are trapped by their own propaganda in a low pay spiral, and are furious at this assertion of rival supremacy. The word is also directed at the ambitious young, who quickly note shifts in wealth and power; at any rate, the civil service seems dull by comparison.

Go back just 15 or 20 years and British managers were still an oppressed class. They were heavily taxed as individuals – at up to 83 per cent of their earned incomes – and quite senior executives would find it worthwhile to take a week off to decorate their houses. Their business freedom was constrained by price controls, pay controls and foreign exchange controls. Political bodies such as the Industrial Reorganisation Corporation were set up to tell them what to do. They were mercilessly bullied by the trade unions.

How the pendulum has swung since then, and the pay levels are the measure of it. When the Conservatives cut the top tax rate to 60 and then 40 per cent it was suggested that this might encourage moderation in pre-tax incomes, but there has been absolutely no such effect. Of course, it is likely that part of the apparent growth in pay reflects the emergence of under-the-counter payments into the daylight: these days, possibly, the top *manager himself* pays his mortgage instalments and his gardener and buys his wife's car (though he certainly does not stump up for his Wimbledon tickets). But pay has now become a key factor in the power game; even if top executives do not need the money they do want to keep the score.



But are they really worth it? The performance of British companies has been patchy. Some of the highest-paid British managers of the 1980s, recipients of £1m pay packets, have driven their companies close to disaster. Perhaps the long-term performance of capitalism does deserve to be recognised and rewarded. But there is a nasty suspicion that too often the bonanza has been grabbed by a handful of powerful individuals at the top of the corporate pyramid, while lower down the humble production manager, for example, remains exploited and unrecognised.

The step from self-recognition to self-aggrandisement may be dangerously small. A successful large modern corporation has usually developed over the years its own culture and its own ambitions. Ideas can come up from below, and the structure should be flexible enough to cope with changing conditions. In these circumstances the chief executive should be more of a good housekeeper than a flamboyant entrepreneur.

But instead we have tended to see the cult of the individual. The company boss does not get into the headlines through dedicated attention to quality control, or by updating his company's training methods, but by doing aggressive deals.

There is a risk that the man paid £500,000 a year will feel under pressure to demonstrate that he is clearly worth it; a big man must do big things.

Here we come up against the governance problem; capitalism may be triumphant, but it is running short of true capitalists.

The measure of success for the entrepreneur is the value placed on his company by the stock market, which usually gets it right.

But the market in chief executives is highly inefficient, as any glance at the *haphazard rewards of top industrialists* will show.

Big companies feel they should pay more, but that encourages top managers to seek increased size through mergers of uncertain benefit to shareholders or the economy at large. Insecurity and risk count for a good deal at this level, as does the task of coping with highly competitive conditions; privatised utilities may feel justified in paying more on the first count, but they are provocative when they confuse the exploitation of monopolies and sweetheart regulators with skilful management of a competitive business.

The profits squeeze will now put a cap on executive remuneration temporarily, but I fear we are also seeing a scramble through the open window ahead of the election of a Labour government. Even John Major is unwisely making judgments about the level of top executive pay. Managerial capitalism has yet to fight some more battles.

London Markets

Clouds hide a shaft of sunlight

IT WAS a week when a rare cut in Japanese interest rates – and the prospect of a cut in the UK – coaxed the Footsie back into positive territory after the losses of recent sessions. But it was also a week when poor results, discouraging statistics and inflated executive pay packages continued to monopolise the business-page headlines.

All told, the FT-SE Index closed ahead 69.9 at 2,484.7, thus recovering two-thirds of the ground lost in the second half of June. Volume, however, remained mediocre, peaking yesterday at nearly 500m shares thanks to heavy technical trading in J Sainsbury.

Even in a quiet period for financial reporting, British Steel, General Electric and Dowty Group all unveiled year-on-year profit reductions. Lucas Industries, the car component and aerospace group, broadcast a second-half profit warning. And Alan Sugar's new toy, Tottenham Hotspur, reported a £2.14m interim loss.

British Steel's decline was the steepest of the three at 65 per cent to £254m. The group made only £80m in the second half, down from £310m a year earlier. The company, which was privatised in 1988, also sketched out a controversial restructuring of its plate production facilities calling for the eventual replacement of existing mills at Dalzell and Scunthorpe with a new facility at Teesside. Shares closed ahead 2¾p on the week at 124p.

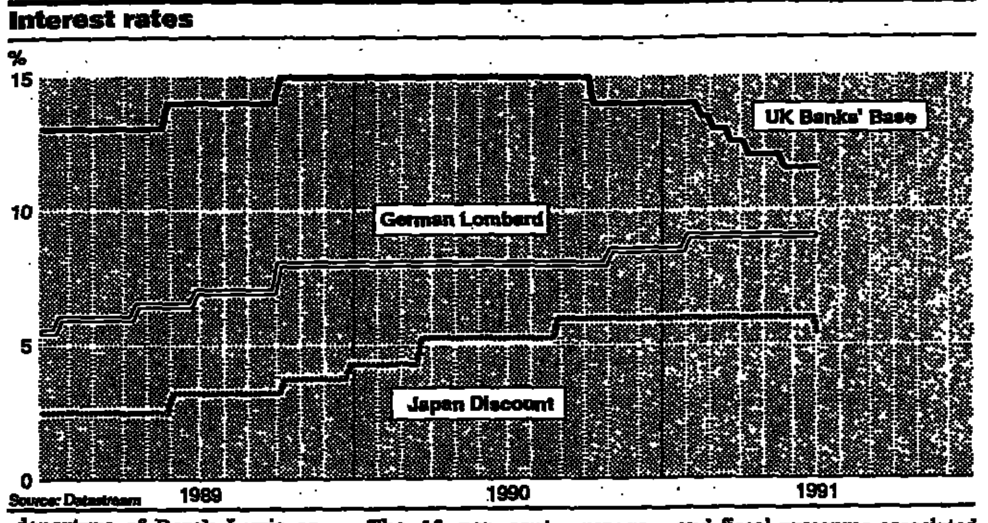
GEC's fall was by a comparatively sedate 6.2 per cent to £818m, with the company affected by the UK and US recessions as well as lower demand in continental Europe. Lord Weinstock, managing director, said he could not remember the last time the group failed to increase its dividend, which totalled 9.25p per share for the year to March. The shares fell 1p to 187p.

Recession in the aerospace and defence sectors were the main problems at Dowty, where profits dipped by 29 per cent to £60.6m. A month ago, the Cheltenham-based company lost Tony Thatcher, its chief executive, who resigned to join TBG – Baron Thyssen-Bornemisza's private Monaco-based industrial group. The shares ended the week at 178p – down 10p.

The news was also poor from Granada, the television, leisure and business services group, where interim profits for the 28 weeks to April 13 dropped from £63.3m to £38.5m. On a more positive note, the company said that it had succeeded in cutting its debt to £340m.

This followed a £163m rights issue and the £147m sale of bingo clubs to Bass, the brewer. The rights issue, which at 140p was at a large discount to the preceding 210.5p market price, was associated with the departure of Derek Lewis as chief executive. The shares lost 7p to 135p.

Interest rates



Source: Datastream

Alleviating the gloom, a string of regional electricity companies generated income well in excess of flotation prospectus forecasts. With pre-tax profits of £81.4m, Seeboard – the south-eastern regional company – managed to exceed its forecast by as much as 35 per cent.

In similar vein, Ofwat – the water industry regulator – reported that first-year profits of £1.4bn at the UK water companies came in £238m higher than government expectations before privatisation.

The 16 per cent average increase in dividends was slightly less than expected, and there was a higher than assumed proportion of profits being ploughed back into the businesses, Ian Byatt, the Ofwat director general, said. He warned, however, that shareholders who were "not doing badly" should expect a "much lower growth in dividend in the future."

On the statistical front, perhaps the most depressing news was that June car sales had fallen to a 20-year low. New car registrations declined to just 98,204 from 142,697 a year ago and have now fallen for 21 of the past 22 months. The figures did much to explain Ford's announcement that it was cutting prices of selected models.

To compound matters, the biggest domestic housebuilders – who must already feel that the roof has caved in – reported that the hesitant spring sales recovery had petered out. Buyers who previously had been put off by high interest rates were now worrying about rising unemployment and the state of the economy, companies said. More than half the groups questioned said June sales were at or below comparable 1990 levels.

It was not all wine and roses for interest rates either. In its economic outlook, the Organisation for Economic Co-operation and Development forecast a further rise in German short-term interest rates as a consequence of inflationary and fiscal pressures associated with developments in eastern Germany. As policy makers are all too well aware, the condition of Europe's largest economy will have a more powerful bearing on future UK interest rate trends than glad tidings from Japan.

The OECD also forecast that the UK economy would grow at an annual rate of only 0.3 per cent in the second half. Although there are now signs that the fall in output in Britain has reached bottom, the Paris-based agency said, real gross domestic product in the first half of this year might have been some 3 per cent below that of the same period last year. This would be as severe a drop over 12 months as in the 1980-81 recession.

But the hot topic of the moment is executive pay. Yet more grist was added to the mill in the form of a near tripling to £200,000 of PowerGen chief executive Ed Wallis's salary and a further pay rise for John Baker, chairman of National Power.

In the circumstances, it was gracious of British Steel chairman Sir Robert Scholey to accept a small pay cut in deference to his company's poor 1990-91 performance. Sir Robert emphasised that "you cannot dissociate productivity and pay" but said that he was not "giving anything to charity." In 1989-90, he had received an enviable 79 per cent increase to more than £300,000.

David Owen

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1991 High	1991 Low	
FT-SE 100 Index	2484.7	+69.9	2545.3	2054.8	Revived base rate hopes.
Abbey National	278	+19	288	211	UBS buy rec./interims due July 31.
Cable & Wireless	548	+19	557	429	Oftel shift on BT 'access' policy.
Cadbury Schweppes	378	+31	400	314	Bid speculation.
Hillsdown	234	+28	269	154	Recovery hopes.
Kingfisher	492	+31	509	359	Interest rate hopes.
London Electricity	204	+29½	217	136	Strong utilities/recent good figs.
Natl. Home Loans	93	-25	157	87	Director resigns/broker downgrades.
Securicor	658	-57	753	655	Interim profits drop 58%.
Siebe	481	+35	481	289	Enthusiasm over Foxboro.
Simon Eng.	305	-25	394	265	Profits downgradings.
Smithkline Beecham A	795	+41½	844	589	Renewed hopes for Seroxat sales.
South West Water	278	+24	327	236	Included in 'County 30'.
United Biscuits	380	+23	397	317	Bid speculation.
Wellcome	899	+51	899	404	Optimism on virus drug sales.

Serious Money

Time to bridge the knowledge gap

By Philip Coggan, Personal Finance Editor

HOW MUCH of the financial system do you understand? According to a newly-published report*, the answer is likely to be "not much" if you are an average consumer.

A survey by the British Market Research Bureau for Mintel found that only 36 per cent of adults knew the standard rate of income tax, and just 25 per cent knew the number of higher rate tax bands. Rather less surprisingly, about two-thirds did not know the difference between a unit and investment trust (bizarrely, 10 per cent didn't know whether or not they didn't know).

Women may be further depressed to discover that almost twice as many males as females knew the tax rates, although this could be the result of the chauvinist Inland Revenue tradition of treating wives as a chattel of their husbands.

Financial reformers will also be discouraged by the report's finding that only 20 per cent of the public agreed – and 59 per cent disagreed – with the proposition that mortgage tax relief should be abolished.

Mind you, the survey does highlight the old adage that the answer you receive depends on how you frame the question. Mintel put forward the statement that "In order to get totally unbiased financial advice, I would be prepared to pay a fee of up to £100 per hour to the adviser." You will not be surprised to learn that more than 90 per cent of consumers disagreed with this statement.

Consumers were then asked to choose between three statements, one of which was "I prefer/would prefer to buy life assurance from an independent financial adviser because I would trust him to sell me the policy best suited to my needs." This statement duly topped the polls ahead of the options of buying from a life company representative or from a friend or relative.

Doubtless these results will be trotted out by interested parties as evidence that people will not be prepared to pay fees and are happy with the commission system. But I would be prepared to bet the salary of a privatised utility chief that I could have produced a very different result if I had been allowed to phrase the question.

How about "I would prefer to pay several hundreds of pounds in commission to a man who is likely to recommend only products that reward him, rather than pay an hourly fee to an adviser who will be able to recommend those products that most closely meet my needs"? I am pretty sure that such a statement would get majority approval.

Fees are only likely to deter consumers if they continue to believe, aided by the opaque system of disclosure imposed by the regulators, that commission comes out of some central "pot" and not out of their own pockets.

It has to be up to the regulators to ensure that products should be explained as simply as possible

So what hope is there for those who want consumers to get a better deal from financial services providers? One chink of light in the Mintel report is the survey evidence that people are rather more shrewd when it comes to the more basic savings products. Offered the misleading statement "On the whole, banks give you a better interest on your savings than building societies do", only 9 per cent of respondents agreed.

It is also encouraging that more than one third of adults has a bank current account which pays interest, especially as the banks have hardly fallen over themselves to promote these accounts since they were introduced in the late 1980s.

The Mintel survey also reveals some interesting statistics on the structure of the savings market. Only 6 per cent of the public were shown to have Tax Exempt Special Savings Accounts (TESSAs). But when you consider that the survey was conducted in February 1991, that means that in one month after their introduction, TESSAs were able to achieve greater penetration of the savings market than unit trusts (owned by 5 per cent of the public) have after 60 years.

However, the evidence also shows that TESSAs are unlikely to have increased total savings by any appreciable amount – which, after all, was an important aim of their creation. Of those who had opened TESSAs, 69 per cent had done so by transferring money from another account and 51 per cent said they would save in a TESSA rather than in an existing account.

Despite the recent revival of private investor interest in investment trusts, unit trusts still have an edge in popular perception. Thirty four per cent of respondents agreed that "unit trusts are the best way of investing in the stock market for the small investor", compared with 20 per cent who disagreed and a thumping 46 per cent who did not know. Even among that small minority who did know the difference between a unit and investment trust, 55 per cent agreed with the statement.

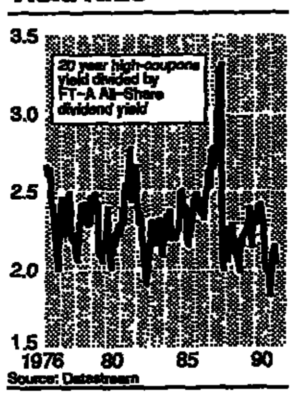
So in short, a lot of public education remains to be done. Newspapers can try and do a part of it, but by their nature personal finance pages serve an audience that is already, by being more interested, more knowledgable. It has to be up to the regulators to ensure that products should be explained as simply as possible, and as early as possible in the selling process.

A consumer who buys a product he or she does not understand is unlikely to get a good deal.

* *Personal Finance into the 1990s, published by Mintel Publications, 18-19 Long Lane, London EC1A 9HE.*

AT A GLANCE

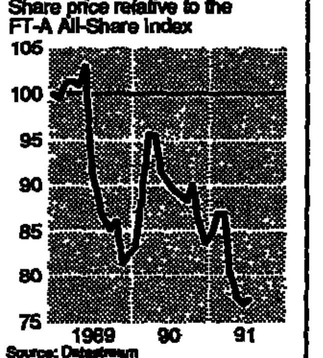
Yield ratio



Source: Datastream

British Steel

Share price relative to the FT-A All-Share index



Source: Datastream

Yield ratio sheds light on shares

The yield ratio – the relationship between the yield on long-dated gilts and that on the FT-A All Share Index – is one of the stock market's favourite means of deciding whether equities are cheap or dear. The higher the ratio, the more the yields on bonds look attractive and the greater the likelihood of investors selling shares to buy bonds. When the ratio is low, shares are more attractive. The graph shows how cheap shares looked, on this basis, earlier this year; the subsequent rally has increased the ratio but it still shy of the long term average and a long way from the peak reached in 1987.

Profits fall at British Steel

British Steel reported a decline in profits for the year to March 30 on Monday – down at £253m from £733m in 1989-90. Markets were expecting the 65 per cent drop and the share price fluctuation was only between 122p and 125p during the week. In spite of the bad results, BS, which was privatised in 1988, was able to raise its final dividend to 5.75p.

Smaller company indices slide

Smaller company indices continued their downward slide this week. The Hoare Govett index (capital gains version) dropped 8.65 per cent to 1156.5 from 1165.15 in the week to July 4, while the County index fell 10.15 per cent to 943.48. Last week, we referred to the Hoare Govett total returns index which was then 1389.58 has dropped to 1380.86.

Pacific Rim bonds find favour

Some of the Pacific Rim bond markets have provided the best returns for sterling-based investors this month, according to figures from Kemper Investment Management Company (KIMCO). The Australian government bond market showed a gain of 5.15 per cent in June, while New Zealand bonds rose by 4.95 per cent and Japanese bonds increased by 4.93 per cent. This compares with a return of 0.02 per cent by the gilt market during the same period.

Since the start of the year, the top-performing bond markets in sterling terms have been New Zealand (13.65 per cent), Japan (10.71 per cent), and Australia (10.15 per cent), while the UK gilt market has risen by only 0.67 per cent.

Date for EJ McCann investors

Hapless investors with EJ McCann Brokers, which was declared in default this week, are reminded that they can claim for losses under the Investors Compensation Scheme. Claims will be valued on October 4 1990, the date the company went into liquidation.

ICS will send investors documents within the next 28 days so that their claims can be registered. Anyone who does not hear from them is advised to contact the ICS at Gavrelle House, 2-14 Bunhill Row, London EC1Y 8RA.

A fixed-rate mortgage at 10.75%

John Charcol, the mortgage adviser, has brought out a fixed rate mortgage of 10.75 per cent (APR 12.8 per cent) until 30 September 1994. The mortgage has to be taken out by 30 November this year and there is an arrangement fee of £250. Applicants must also put up a 5 per cent deposit on the value of the home. The new fixed-rate is available on endowment, pension and Pep mortgages and on interest-only loans of no less than £100,000. John Charcol is also offering a rate of 10.65 per cent (APR 13.1 per cent) capped until September 301992.

Wall Street

Not a day for independence

THE FIREWORKS crackled and exploded over Manhattan on Thursday night as the US celebrated its 215th birthday. Down on Wall Street, the stock market managed a few, rather more modest pyrotechnics in the abbreviated holiday week, but independence was not the prevailing theme.

Japanese influence is still pervasive. The cut in Japanese interest rates and the rise in the Nikkei index were widely cited as factors behind Wall Street's 51.7 point surge on Monday. And a new wave of worries about the rumbling Tokyo securities houses scandal was said to be a major reason for the subsequent 38-point decline on Wednesday. Worries persist that more Japanese money will be drained from the US financial system, creating disruption in both the bond and stock markets.

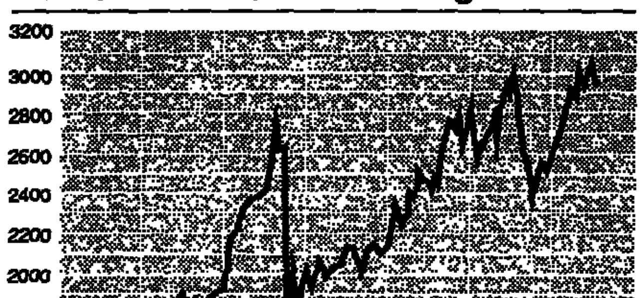
Such increasingly slavish attention to Japan points up the lack of direction back home; if the US economy were roaring out of the recession, for example, or takeovers were back in fashion, it is hard to imagine quite so much attention being paid to trials and tribulations 7,000 miles away.

Instead, on the economic front, the US recovery remains fitful at best. Moreover, the next corporate reporting season will get under way within the next few weeks, so micro-analysis is largely on hold. Not surprisingly, then, investors and traders took full advantage of the holiday weekend. Dealing volumes were at a low ebb.

Certainly, the economic pointers which emerged during the week merely reinforced the impression of economy limping hesitantly out of recession. The National Association of Purchasing Managers index proved surprisingly buoyant on Monday, suggesting that the economy grew last month, after twelve months of contraction. Similarly encouraging reports on consumer sentiment and factory orders followed.

But by mid-week, the housing data cast a pall of gloom; new home sales slumped by 3.3 per cent in May, the second consecutive monthly decline. And on Friday morning, the latest jobs figures suggested that unemployment had edged up to 7 per cent in June, scarcely evidence of a strongly rebounding economy. On Friday morning there was a marked lack of reaction - with the Dow Jones industrial average little changed.

Dow Jones Industrial Average



The housing data probably underlines one of the core problems still impeding any significant upturn – namely, the state of US commercial banks. Some industrialists suggest that while customers in select regions of the country are starting to bite again, the persistent credit crunch continues to choking demand.

It seems that widespread banking problems are far from over. This week, Security Pacific, joined its West Coast neighbours, Wells Fargo and the smaller First Interstate, in warning that second quarter profits would be well below analysts' expectations because of bad loans. Like the Wells announcement, SecPac's warning seemed to underline the difficult conditions in the Californian property market, and the still-growing problem of highly leveraged transaction (HLT) loans.

The news sent SecPac shares $1⅛ lower to $21¼, and BankAmerica, the largest of the Californian banks, followed with a $2 loss to $33⅛. But the shakeout for Wells appears to be largely over; the stock actually edged upwards after SecPac's announcement

The other major corporate event of the week centred on IBM, the computer giant which has become the subject of much angst following its dismal first quarter figures, with analysts and commentators wondering whether the group is still capable of responding to changes in the computer market or has metamorphosed irretrievably into a corporate monolith.

Not surprisingly, the company is out to prove its critics wrong. In one of the broadest collaborative ventures which the computer industry has ever seen, IBM announced that it would work with Apple Computer, a fierce former rival, in designing a new generation of desktop computers. A joint venture company will produce new software, and the two partners say that products should be on sale within two or three years.

Clearly, such a deal has widespread implications for others in the sector and - as ever – the stockmarket was quick to give its verdict. Down went the shares of Microsoft, the US computer software company which dominates the personal computer market, losing $4⅛ to $64 on the over-the-counter market. Up went the shares of Apple, almost $1 higher at $43⅛.

Meanwhile, in a further step towards 24-hour trading, the New York Stock Exchange said that trading would begin at 9am from early September – as opposed to 9.30 at present. This means a bigger overlap with London's trading day although, if Japan still dominates the picture, half an hour will hardly help.

Monday	2958.41	+ 51.86
Tuesday	2972.72	+ 14.31
Wednesday	2934.70	– 38.02
Thursday	Closed	

Nikki Tait

The Bottom Line

Dowty Group still faces a bumpy ride

LONG-TERM investors in Dowty Group, the recession-hit UK aerospace, electronics and polymers concern, have had a bumpy ride over the past six years with little or nothing to show for it in the share price.

The shares have touched 300p twice in the past six years, but closed yesterday at 178p – almost exactly where they were at the start of 1985 – valuing the company at about £450m. To be fair, acquisitions since then have boosted the number of shares outstanding by about 20 per cent.

It was back in mid-January, with the shares languishing at a three-year low of 146p, that the City takeover rumour mills began turning – underpinning several surges since to 190p or more.

Here, the argument goes, was a medium-sized concern with good products ranging from aircraft landing gear and flight control actuators to information systems and moulded seals, which had been hit by the severity of the worldwide recession in the last few months of 1990.

The group was struggling, too, to adjust to fundamental changes in defence markets caused by the thawing of relations between the superpowers, and widely criticised for spending too much money on developing its Cognito two-way mobile data network.

Then came the Gulf War, which gave a brief spur to Dowty's military business but sowed deep uncertainty among civil aerospace customers. In April, Dowty announced it was cutting 1300 jobs, on top of the 1200 cuts announced a few months earlier, and issued a gloomy profits forecast.

The surprise departure in June of Tony Thatcher, who was not only chief executive but also "Mr Dowty" in City eyes, added to the uncertainty.

Prudently, Dowty had prepared the market thoroughly for a profits downturn, and there were few surprises in the numbers on Monday when it announced a 29 per cent fall to £60.6m in pre-tax profits for the year ended March 31. The annual dividend, which has risen by 10 per cent or more each year since 1986, was lifted just 0.2p to 9.2p.

But the occasion was more than a numbers exercise. The City wanted to assess Bruce Ralph, new chief executive, and Roy Roberts, new chairman, in the top jobs. Both men were stepping up from the deputy positions, with Roberts replacing Lord Harrowby.

Dowty Group

Share price relative to the FT-A All-Share Index

Source: Datastream

If the City wanted reassurance, they certainly got it. Ralph may not have Thatcher's flamboyant touch, but is well-respected by analysts and expected to grow in the job. Roberts, chairman of Simon Engineering, is a safe pair of hands par excellence.

The essential message from the two men was "steady as she goes." There will be no major U-turns, and no big acquisitions. Roberts suggested the company may concentrate more heavily on essential areas of its business, and avoid becoming "side-tracked" on projects which take too long to pay off.

They came not to praise Tony Thatcher – Roberts called his departure "a slight disappointment." But the former chief executive will be a tough act to follow, and bequeaths a rigorous company-wide cost reduction programme and important reorganisation of the aerospace division, Dowty's biggest.

Thatcher must be given credit, too, for overseeing some of the most important thrusts in Dowty's responses to changing market conditions. Over the past five years Dowty's defence-related business has fallen from 60 to 30 per cent of turnover, due partly to cancellation of defence orders but also to big successes on civil aerospace contracts, such as landing gear for the Airbus A330/340 programme and thrust reversers for the Boeing 777. This programme could be worth $80m to Dowty over the next 10 years.

A more questionable legacy of the ancien regime is Dowty's costly venture into the increasingly competitive UK mobile communications market. Analysts who have watched Dowty spend £17m on setting up the infrastucture for Cognito were relieved to hear that Dowty had signed up a prestige launch customer, the London ambulance service. A further £15m will need to be spent on Cognito, which will be launched in August and go nationwide by the year's end.

The main task for Ralph and his team over the next few years will be to manage a further decline in the amount of business that is defence-related, take advantage of the higher margins to be expected in civil aerospace, and capitalise on investments such as Cognito.

But there is no obvious sign of improvement in the economic climate, and investors may have to wait for 1992/93 for a rise in profits. Andy Chambers of Nomura Research Institute forecasts £59m pre-tax for this year, a steeper decline than it looks because the 1990/1991 figure included a £4.6m exceptional item.

As for a takeover, Chambers says it is no more nor less likely following the results. Speculation over a bid by a rival UK company such as Lucas Industries or Smiths Industries seems to have subsided, and if there is a bid it is more likely to be a larger, foreign company. But maybe not now: the shares slipped back last week but still trade on nearly 12 times last year's earnings.

Andrew Baxter

Don't be a slave to your debt

***Scheherazade Daneshkhu and Philip Coggan** report on ways to lessen the burden of your borrowings*

IT WAS EASY to borrow money in the early and middle 1980s. Not to be in debt was dull; taking out the biggest mortgage that you could seemed the shortest route to riches.

Banks were falling over themselves to lend money, and many consumers, with incomes rising and interest rates relatively low, were only too eager to accept.

Then the bubble burst. The late 1980s and early 1990s have taught everyone a painful lesson about the effect of rising interest rates and falling incomes on a borrower's ability to repay.

In future, consumers will need to pay as careful attention to managing debts as to managing their savings. If you have more than one form of debt, which is the cheapest? And is it worth consolidating your debt in that form? If you are about to borrow to make a purchase, which is the best way of doing so? And what do you do if the burden becomes impossible to bear?

■ *Types of debt*

Overdrafts are one of the most expensive ways to borrow money. Banks tend to charge for each cheque and cash withdrawal you make, not only from the time you were overdrawn, but for the whole quarter. Every letter berating you for being overdrawn will incur a charge, as can an "invitation" to meet the bank manager to discuss matters.

It is far better to arrange an overdraft facility or a personal loan before you actually go into the red. Lloyds bank, for example, will charge an annual percentage rate (APR) of 24.6 per cent on its personal loans compared with 37.7 APR for an unauthorised overdraft.

It is cheaper to take out a personal loan than an authorised overdraft. At Lloyds, the APR on both is the same but there are no other bank charges on a personal loan. Alternatively, most banks offer a gold card, allowing an overdraft of up to £10,000 at about 17 per cent APR, subject to an annual fee of about £30. This, however, is only available to selected customers.

Some banks offer accounts which allow you to run up small overdrafts. Midland Bank's Vector account has an overdraft facility of £250 where no interest is paid, although you pay a monthly fee of £10.

If you need a long-term loan it is always better to get one that will allow capital repayment rather than one which ties you into a fixed-term. Otherwise, you will be obliged to repay the interest for the term of the loan even if you are able to to pay off the capital.

Some banks have introduced a charge for refinancing a loan. This could be about £50 for a £1,000 loan and is something to watch out for.

What do you need the loan for? If it is to pay off your credit card debt, Jean Eaglesham of the Consumer Association advises you to think again. The APR quoted by the bank is often lower than that of a credit card (Barclays Bank's APR is 24.1 per cent while Barclaycard's is 27.8 per cent), but the arrangement fees and transaction charges will make this more expensive.

Credit cards come into their own only when the balance is paid off in full every month, which means six weeks of free credit. Banks have tried to recoup the costs of such customers by making an annual charge, but there are still some non-charging cards available.

Store cards tend to carry higher interest rates than cards available from banks and building societies. If you are borrowing to buy a particular item it is worth checking what other forms of credit a store will grant.

"Interest-free" credit was one of the slogans of the 1980s and the sexier sibling of hire purchase. Even Harrods is offering interest-free credit on selected items.

However, interest-free credit will usually mean a restricted choice – it will only be available on some brands and the repayment period is unlikely to exceed 12 months. Both interest-free credit and hire purchase will usually be offered at the full retail price, whereas you may be able to obtain a discount if you pay cash.

This is particularly true of cars. By paying cash and shopping around, it is possible to wipe up to 20 per cent off the full retail price of a car. In this case, it would probably be cheaper to take out a personal loan and eschew both interest-free schemes and the more expensive HP arrangement.

However, if you cannot get a discount, it should be more economical to accept the interest-free scheme so long as you can pay back the full amount within the time specified. In some circumstances, and certainly with HP, you could lose the goods if you do not keep up the repayments.

The APR on hire purchase schemes tends to be more expensive than on a bank loan, but this varies from product to product. Many car companies, for example, have their own finance offshoots which may offer attractive terms.

The cheapest form of borrowing is a mortgage, since the lender is prepared to accept a lower interest rate because the loan is secured on the property. It may be tempting to try and consolidate your other loans into a mortgage.

Obviously, you should only do so if you are sure you can keep up the repayments. There is no point in remortgaging to pay school fees if there is a danger that your home will be taken away; nor is it worth remortgaging if you are seeking a short-term loan of less than £5,000. A personal bank loan would be better.

It will usually be cheaper to remortgage with your existing building society, unless the interest rate is particularly out of line with the market. If you do talk to other lenders, remember to include arrangement fees and solicitors' costs when calculating whether switching will save money.

Beware of those lenders in newspaper advertisements who offer to solve your borrowing worries. Usually they will only do so by charging a penal interest rate – and taking a second mortgage on your home.

■ *Savings*

There is no such thing as a cheap loan and if you have savings you should use them to reduce your debt, including the mortgage.

Tony Shepherd, chairman of the Institute of Financial Planning, warns that you should never borrow for investment. It is a simple financial fact that you are unlikely to receive a return on your savings which is higher than the rate you pay on your borrowings.

Say you had £2,000 in a savings account and an overdaft of £2,000. At current interest rates, you might receive 10 per cent – £200 – on your savings every year. That would be reduced to £150 for a basic rate taxpayer and £120 for a higher rate taxpayer.

However, the overdraft would probably cost 20 per cent a year, or £400. Using your savings to pay off your overdraft would bring a net benefit of either £250 or £280 a year. The principle applies to those who pay interest on their credit card balances while retaining money in the building society.

Those who find mortgage payments a drain on their monthly salary cheques should also consider using savings to pay down the debt. This particularly applies if your mortgage is larger than £30,000. A sum of £5,000 in the building society might earn you £500 before tax at today's interest rates – £375 after basic rate tax or £300 after the higher rate charge.

Paying off £5,000 from a £50,000 mortgage would save £620 a year, assuming a mortgage rate of 12.4 per cent. The net gain would be between £20 and £30 a month, but since building society interest is paid only once or twice a year, the homeowner's cashflow would benefit by £52 a month.

There could even be gains in paying down loans of less than £30,000 now higher rate tax relief has been abolished. In the example, the post-tax relief cost of a £5,000 chunk of mortgage would be £465. So, a homeowner would still gain £90 a year by using savings to redeem part of the loan.

It is possible to argue that savers could receive better long term returns from equities than from the building society. But these returns cannot be *guaranteed*, whereas paying down your debts is a certain way of improving your finances.

■ *Problems*

At the other end of the scale, for those up to their ears in debt, with gas and phone bills outstanding and mortgage arrears, the strategy will no longer be that of managing debt efficiently but of survival.

Stuart Davidson, of the London division of the Money Advice Support Unit of NACAB (National Association of Citizens' Advice Bureaux), says that if you cannot decide which bill to pay first, you should divide your creditors into those who have some recourse to action and those who would have to go through the cumbersome process of taking you to court.

On this basis, settle gas, phone and water bills first, otherwise these services would be cut off immediately.

Next come mortgage bills and finally credit cards and unsecured bank loans. However, he advises talking to your unsecured lenders to see whether they will suspend interest on your bills for a time, to stop the debt rising. Sometimes a credit card company will suspend interest on your bill, as long as you settle the minimum payment and they are convinced that you seriously intent to settle the account. If you are having problems with your mortgage, the Prudential has the following advice

- ■ talk to your lender as soon as possible – particularly if you are about to miss a payment. If they know in advance, they will be more sympathetic
- ■ check that you are receiving all the social security benefits and payments and that you are getting all the right allowances
- ■ make a monthly spending budget – and stick to it
- ■ think about taking in lodgers if your home is big enough
- ■ do not hand the keys in if you have fallen behind. You will still be the legal owner and liable for payments.

Trust sector discounts widen

DISCOUNTS have widened in the investment trust sector over the past month in response to the falls in world stock markets and the avalanche of new trust shares being issued.

County Nat West WoodMac figures show that the sector's discount to net assets widened to 15.8 per cent in June from 14.3 per cent in May, and below 12 per cent in March.

When discounts widen, share prices fall even though the trusts' portfolios may have retained their values. In fact, in June, share prices declined around the world – the FT-A All Share fell 3.4 per cent and the FT World Index 1.5 per cent – so investors were hit with a "double whammy" effect.

In the early part of the year, explains Lewis Aaron, analyst at Barclays de Zoete Wedd, "institutions held cash and wanted to put funds quickly into the market when it rallied." Investment trusts were a quick way to do so.

Recently, however, says Aaron, the dull performance of stock markets and the torrent of new investment trust issues means that institutions have had all the chance they need to put more money into the sector. Demand for trust shares has slackened and the discount has widened again.

Stephen Magrath, an analyst at County NatWest WoodMac, says discounts have widened particularly in the Japanese and Far Eastern sectors.

However, private investors need not necessarily be discouraged. Now that discounts are back to around historical average levels, investment trust shares offer better value than they did a few months ago.

Meanwhile, fund managers continue to offer trusts for the private investor's delectation. Kleinwort Benson is now hoping to raise between £30m and £35m – up from earlier expectations of £17.5m – for its new High Income Trust. The trust has a split capital structure with ordinary shares and zero dividend preference shares. The ordinary shares have an initial dividend yield of 10 per cent, while the zero dividend shares are designed to have a gross redemption yield of 11.5 per cent.

Split capital trusts are also on offer from Gartmore and Murray Johnstone, while County NatWest is launching a smaller companies trust.

Two more exotic trusts are on offer from GT – into Japanese emerging companies – and from Robert Fleming – into emerging markets worldwide. Both offer small shareholders exposure into areas little covered by other investment trusts.

One set of investors feeling somewhat overexposed this week are those who backed the Gresham House investment trust. The trust's assets per share fell an incredible 82 per cent in 1990, and the shares fell from 225p on Monday morning to 63p by the end of the week.

Normally investment trusts should not suffer these calamities but Gresham house was an unusual trust which specialised in smaller companies and property development. Both sectors have suffered particularly in the recession, and two key companies in the trust's portfolio – Omnitech and Entertainment Corporation – went into receivership. Meanwhile, one investment trust looks set to disappear from the sector's ranks – First Tokyo Index Trust. The trust was converted into an indexed fund in January 1989, managed by London & Bishopsgate Holdings, a fund management company owned principally by Robert Maxwell and Lord Donoughue.

Unfortunately, the Tokyo First Section Index, which the trust set out to match has not performed very well and shareholders, are offered cash roughly equivalent to 131p, compared with a price of 157p when the trust originally switched to an index basis.

Indexed investment trusts may well have a future, but they need a bull market to show their best aspects.

Philip Coggan

Investor compensation rules in disarray

INVESTOR compensation is in greater disarray than ever, following the High Court ruling on the correct construction of Section 54 of the Financial Services Act, according to specialist lawyers.

They warn investors against a false sense of security over the court decision that compensation scheme cover should start from December 18 1986.

But they also offer some reassurance to customers of failed firms adversely affected by the decision. Their fight for compensation can go on, even if no appeal is lodged by the July 19 deadline or if all parties to the construction case decide against an appeal.

Mr Justice Morritt reasoned that since the compensation scheme was established to compensate liabilities incurred in respect of investment business, its cover should start from the date when investment business was first legally defined: December 18, 1986.

A firm can incur liability at different times and in various ways, for example by giving bad advice, issuing false statements or stealing money.

Under the rules of the compensation scheme, bad advice is only covered either from August 28 1988 (when the scheme began) or from the date when the firm became fully authorised, if that was later. The judgment had no effect on these rules.

So December 18 1986 is not the date for compensation for anyone who received bad advice between then and August 28 1988.

This was keenly felt by investors who during that period put money into fake "bonds" issued by Denis Dale-Greaves. They were refused compensation on the grounds that although the fake bonds were investments, issuing them did not constitute investment business. Selling the bonds to the investors ranked as giving investment advice, but predated August 28 1988, so was barred from cover. The investors had been hoping for a ruling that there should be no date limit on cover from the compensation scheme.

A lawyer familiar with the workings of the scheme said a further category of investor could be effectively cut out of cover. These would be people who invested and unknowingly had money stolen before December 18 1986.

If after that the firm issued a false statement, the scheme would base compensation on the money the investor would have been able to recover from the firm if he had realised immediately that the statement was false. If the firm had been "unable to pay" (not necessarily technically insolvent) when it issued the false statement, the investor could not be compensated. Identifying the points at which a failed firm had been able or unable to pay would be extremely difficult.

"The court decision in my preliminary view causes more difficulties in terms of interpretation than it resolves," said solicitor David Pine, whose firm Alexander Tatham represents investors in three failed firms: Dunsdale, Robert Carter and Hamilton House.

The next stage is for the four parties to the construction case to decide whether to appeal. They are the Securities and Investments Board, the compensation scheme, Fimbra (the Financial Intermediaries Managers and Brokers Regulatory Association) and Linda Kelsey, a Dunsdale investor put forward as a representative investor by SIB.

Pine added that there might be no point in appealing because the court had been asked the wrong question in the first place: "With hindsight, the way this was done was misconceived," he said.

Since the court had not made a representative order, no other investors will be bound by Kelsey's decision if she chooses not to appeal.

"We could have another go," said Pine, explaining that the possibilities included going for some sort of judicial review or consideration of the rules of the compensation scheme and that the July 19 appeal deadline would not apply to any of this: "All is not lost," he said.

Barbara Ellis

Spot the danger signs

Charles Wyatt on what volume analysis tells us about share prices

BEAZER and Burton hit their shareholders where it hurt last week with news of their problems and their share price duly fell – Beazer's by 42p to 85p and Burton's by 31p to 44p.

In neither case could shareholders claim not to have been warned. Beazer had announced towards the end of April that it was considering the flotation of its UK and European businesses in order to reduce gearing; and Burton had signalled a continuing slowdown in clothing sales in mid-May.

The volume charts of both companies gave an early warning signal for those who knew where to look, but first a general point. The weekly volume of trade in both companies, as shown on the background bar charts, was exceptionally high in March. These anomalies were in line with market activity however, and can be ignored.

In the case of Beazer the overall price trend was in an upward direction, although it flattened out after the April announcement of a planned flotation. It was lagged by cumulative volume throughout most of the period reflecting investors' lack of enthusiasm. (Cumulative volume is calculated simply by adding the volume of shares in weeks when the share price rises, and subtracting it when it falls).

The announcement stimulated volume of 7m shares, but the real point of interest came in the week ending April 24 when customer trade rose to 8m shares on a sharp rise in price. This was the moment when the first law of volume analysis came into play – a sudden increase in volume is bearish when it *follows* an upward trend in share price. Bulls are assumed to be having their final fling as the bears start to make their presence felt.

A similar picture developed at Burton though the previous trend in share price was considerably flatter. Again there was a exceptional increase in volume to 25m shares on the announcement of lower sales, but the change in price trend did not become fully established until volume hit 14m and then 18m shares per week a month later.

During that fortnight it became clear that something was in the wind and judging by the share price it was unlikely to be good news. Sure enough, last week a big loss, shop closures and a rights issue were announced. Volume shot up to 48m shares and the shares went into free fall.

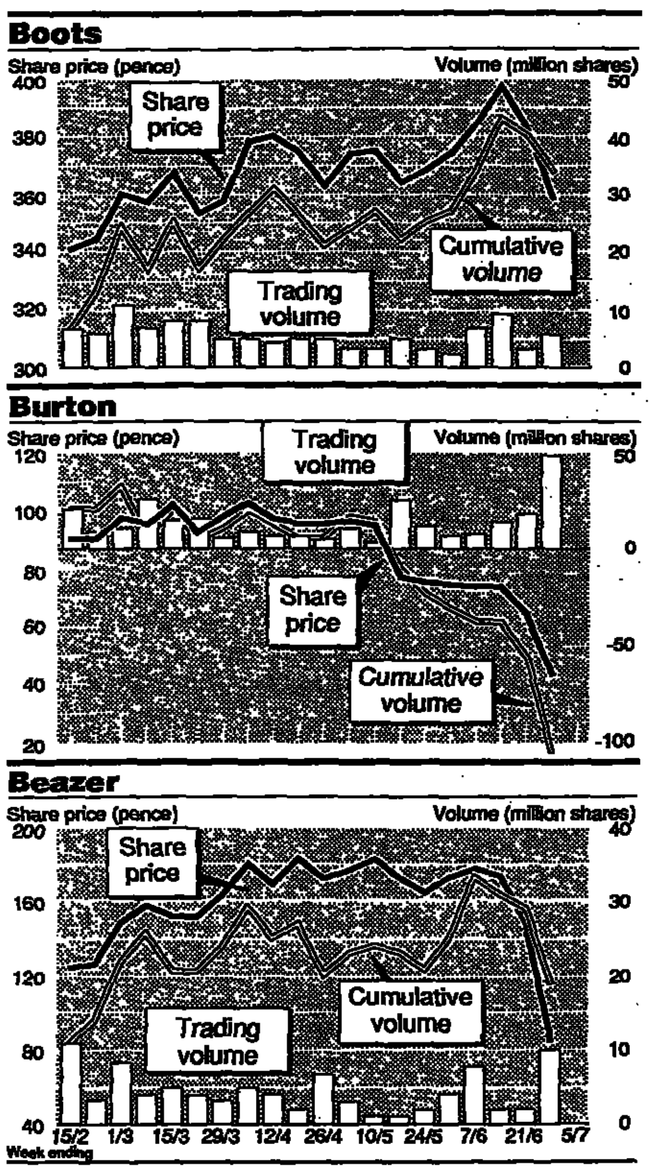
Which leading company will be the next to run on to the rocks of recession? Our charts suggest that it might be Boots, as its trends in price and volume have much in common with Beazer and Burton.

Over the past five months the Boots share price has risen from 340p to 397p with the same picture of higher volume in March. This was a resilient performance when compared with the Stores Index of which Boots is a constituent.

In April and May volume stayed at around 4m to 5m shares a week with cumulative volume tracking price consistently, as with Burton. This pattern changed markedly at the beginning of June when turnover in the shares shot up to 7m and then 9m shares. Volume analysts then reached for their red pencils. The price trend changed direction in marked similarity to Beazer.

The fall has been limited – less than 10 per cent off the recent peak – and it is doubtful whether it will plumb the depths reached by its predecessors. However, the outlook is not encouraging.

■ *Charles Wyatt runs a research firm called Volume Analysis.*



Nominee accounts: a better deal for clients?

*Not necessarily, warns **Richard Waters***

STOCKBROKERS have launched an offensive to persuade clients to transfer shares into their nominee accounts, a company specially formed to hold shares on behalf of a third party.

The reason being cited is the approach of Taurus, the Stock Exchange's paperless trading system, due to be launched next May. The switch will make administration easier for both broker and client and help reduce costs, the brokers say.

However, shareholders should think carefully before succumbing to these blandishments. Being put into a nominee account has disadvantages – and it may be more for the broker's benefit than the client's.

"We have written to all our clients advising them to come in to the nominee," says Mike Jones of Capel-Cure Myers. "It is for the benefit of both broker and client."

W I Carr is typical of those recommending the use of their nominee companies. It has written to clients advising them to transfer their holdings into the broker's nominee company before the launch of Taurus because "we will be able to handle all the transitional paperwork for you and cope with any unforeseen administration problems which may arise as a result of the complexity of the transition."

Carr's letter goes on to stress that this would not entail becoming a discretionary client, and that investors need have no worry about giving up control of their shares. "Its [the nominee account's] use is entirely safe because it is closely monitored not only by our own auditors but also by our regulatory authority, the Securities Association (now known as the Securities and Futures Authority)."

What Carr, and other brokers like it, omits to point out are the disadvantages of being in a nominee company. True, it takes away the administrative burden for shareholders – there are fewer pieces of paper to sign, and it reduces the administrative burden of events such as rights issues and takeovers. But it also takes away all the advantages of having your own name on a company's share register: you do not receive a copy of the company's annual report, and you cannot vote at its annual general meeting. Also, anyone who invests through a nominee company misses out on the shareholder "perks" offered by some companies.

Another important reason for not putting shares into a nominee company is that it takes the investor outside the scope of the Investors Compensation Scheme. Set up under the Financial Services Act, this pays out up to £48,000 of any loss by an investor – but not in relation to investments held in nominees, which are outside the scope of the Act. It is possible that anyone who put shares into a nominee on the advice of a broker would be covered by the scheme, but by no means certain.

At W I Carr, Fred Carr (no relation) points out that most brokers have insurance cover for their clients well in excess of the cover available under the compensation scheme, so investors in nominees should not be concerned. Clients of stockbrokers should check this before dealing, although an insurance policy is no guarantee that the insurers will pay up in the event of a loss.

Listed companies are also concerned about the growth of nominees, since it prevents them seeing the beneficial owners of their shares. John Watson, the Stock Exchange project manager responsible for building Taurus, says: "I can understand their anxiety. A lot of brokers are encouraging their clients to go into nominee companies."

According to Watson, this is only a transitional development: once Taurus has been introduced, private shareholders will come back out of brokers' nominee companies. This is because shareholders will seek to regain the rights they have lost (the right to vote and so on). Also, he says, brokers will not want to keep investors in their nominee accounts, since this involves the broker in acting as a middleman between company and shareholder, passing on dividends and so on.

Watson may not be right. Brokers such as W I Carr say they would prefer investors to stay in their nominee accounts after Taurus. They cite the administrative ease of such arrangements. Also, the use of a nominee helps to strengthen the relationship between broker and client and is a useful defensive ploy by brokers at a time of intense competition in stockbroking.

A sector for the bold

***Philip Coggan** assesses the Far Eastern funds*

THE FAST growth of the Far Eastern economies is so often cited that it might be natural to assume that the stock markets in these areas are the most profitable for investment.

But the size of the Tokyo stock market, and the volatility of the South East Asian bourses, means that the investor should be prepared for some rapid swings if he ventures into a unit trust which specialises in the area.

After years of phenomenal growth which took price-earnings ratios to stratospheric levels, the Japanese stock market has had a dismal last 18 months. The Nikkei-Dow Index which touched 39,000 at the start of 1990 has dropped to below 23,000.

With South East Asian markets also having a bad 1990, the Far East (including Japan) sector currently has an undistinguished record. Only over the five years to July 1 does it look impressive, ranking second out of 21 sectors, thanks to average growth (offer-to-bid, with income reinvested) of 61.6 per cent.

However, the sector ranks 19th out of 22 over one year, 16th out of 22 over two years, 11th out of 22 over three years, 9th out of 20 over seven years and 10th out of 19 over the past decade.

It is an odd sector in some ways, since there are also sectors covering both Japan on its own, and the Far East, excluding Japan. "You are really paying for the manager's asset allocation skills", says Linda-Jane Coffin of Fund Research, which recently produced a report on the sector. "The most important decision is how much to place in Japan."

Best Far East (inc Japan) trusts over 3 years

	% growth
GAM Far East	50.7
GT Far East & Gen	50.5
Equitab Far East	50.3
Hender Pac Sm Cos	47.1
Thornton F E Opps	43.9

Source: Finstat. Offer-to-bid with income reinvested

Best Far East (inc Japan) trusts over 7 years

	% growth
Cannon Far East	270.3
Martin Curr F E	223.4
Hender Pac Sm Cos	201.8
Abtrust Pacific	196.5
F & C Far East	183.9

Source: Finstat. Offer-to-bid with income reinvested

The Fund Research figures show that asset allocation to Japan in the rated funds varied between 0 per cent (Govett Pacific Strategy Fund) to 60 per cent (Cannon Far East Trust), with the majority having an exposure of between 30 to 40 per cent.

The natural tendency is for funds to produce a mid-way performance between the Japanese and South East Asian sectors. Over the past three years, broadly-based Pacific funds have beaten the Japanese sector, but lagged behind South East Asia; over 10 years, it is the other way round.

The top fund over the seven years to July 1 – Cannon Far East – is actually managed by a team from Foreign & Colonial, the fund management team behind the UK's largest investment trust. The Cannon fund has a minimum Japanese exposure of 60 per cent, which has helped it particularly over the longer term, but it also has a top quartile (highest 25 per cent) record over one, two, three and five years.

GAM Far East, which is top of the sector over three years, is also given the highest rating by Fund Research. The trust, run by Global Asset Management, has recently had a very high level of cash in its portfolio and frequently shifts the balance of its assets between sectors and geographical areas.

Among the other unit trusts which receive high ratings from Fund Research is GT Far East and General, which was second in the three year performance tables. This is another trust with a *remarkably consistent* performance record, being in the first quartile over one, two, three and five years. Over longer periods, it was sixth (out of 22) over seven years and fourth (out of only 8) over 10.

This is not a sector for your first, or even second, unit trust venture. All but two of 55 funds would have lost the investor money over the past year; two-thirds would have lost you money over the past two years; one (Hambros Japan & Far East) has fallen 27.4 per cent since July 1988.

Japan is currently dogged by financial scandals and the small South East Asian markets are highly illiquid. But investors seeking for a balanced unit trust portfolio will want some exposure to the Far East – and if you cannot decide between the merits of Japan and south east Asia, this sector may be for you.

The Week Ahead

Damage limitation hopes

Dixons, the electrical retailer, is expected to have limited the damage of the high street spending squeeze to a 10 per cent fall in pre-tax profit. About £72m is forecast for the year to the end of April, down from £80.1m. The results are due out on Wednesday.

Difficult trading consitions were eased by increased sales ahead of the VAT rise and by enhanced profitability from Currys out-of-town stores. One of the key questions will be about the trend in sales of goods to replace ageing televisions or white goods.

The Rank Organisation leisure group is expected to report pre-tax profits for the six months to May of around £105m. The effects of the Gulf War and the recession were partly offset by last year's acquisition of Mecca. Taxable profits for the six months to May 1990 were £137.6m.

The last two regional electricity companies, Manweb and South Wales Electricity, report on Wednesday. They are expected to turn in profits of £62m and £50m and dividends of 11.20p and 11.13p respectively. Like the distributors reporting before them, they are likely to produce much healthier profits than forecast in their flotation prospectuses last autumn.

Interest focuses on South Wales Electricity because of the 14.9 per cent stake taken in it by Welsh Water.

It has already said it sees no benefits from operational co-operation with the water company

Christie's, the auctioneers, is due to release its results on Friday.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
API	114	107	97	23.83	NMC
Brompton Hldgs.‡	65*§	63	53	11.75	Adia
Butler Cox	245*	243	131	14.30	CSC
Davy Corp	95*♣	78	62	114.02	Trafalgar House
Elam	185*§	184	180	87.2	Oceana Inv. Corp
Flexello C.& W.	130*	125	104	4.30	Nanain
Goring Kerr	213	198	189	7.91♦	Cambridge El Ind
Goring Kerr	205*	198	198	7.61♦	Thermo Electron
Kingsgrange	28*	31	25	8.45	Matsheet 374
Kingsgrange	31½	31	29	9.48	Dewhirst
Macarthy	205½	228	168	56.11	Grampian Hldgs.
Magnetic Mater'ls	54*§	56	43	9.90	TT Group
Mayfield	108.4	111	98	23.31	Cooper (Alan)
Radio City A	385*	380	285	10.01	EMAP
SD-Scicon	45*	46	43	90.87	Elect.Data Syst.
TACE	242½	257	203	23.68	Cambridge El Ind
TACE	252*	257	230	24.61	Stac
TACE	255*	257	230	24.90	Thermo Elecion
TMD Advtsg.	330††	325	247	29.39	Aegis Grp.
Thurgar Bardex	42.6§§	39	28	8.94	Heywood Williams
Tottenham Hotspur	75*§	91†	91†	7.64	Venables/Sugar

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 5/7/91. †At suspension. §§Shares and Cash ♦ For 48.9%. ♣ 60p now + 45p if conversion of Ocean Emerald Hg into an oil platform is completed.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Abtrust New Dawn	Apr	347	(539)	0.53	(1.66)	0.5	(0.5)
Amberley Group	Mar	225	(370)	2.04	(3.27)	1.5	(1.5)
ASB Barnett	Dec	148 L	(254 L)	-	(-)	-	(-)
Asprey	Mar	24,400	(21,800)	18.5	(18.5)	4.85	(4.35)
AB Engineering	Mar	108	(1,280)	0.08	(0.32)	0.1	(0.1)
Avesco	Mar	1,150	(5,800)	2.0	(12.1)	1.5	(1.5)
Baker Harris Saunders	Apr	958	(874)	4.4	(4.0)	2.5	(4.5)
Birkdale Group	Mar	1,530 L	(1,410 L)	-	(-)	-	(-)
Boscombe Property	Mar	245	(74)	181.9	(61.5)	130.0	(55.0)
British Steel	Mar	254,000	(733,000)	9.65	(28.2)	6.75	(8.25)
Brown & Tawse	Mar	1,200 L	(6,000)	-	(13.0)	5.7	(9.5)
BS Group	Dec	770 L	(201)	-	(19.2)	-	(-)
Burtonwood Brewery	Mar	5,600	(4,200)	23.6	(15.2)	4.24	(3.98)
Campbell & Armstrong	Mar	344 L	(3,010)	-	(13.8)	2.0	(5.0)
Danae Investment Tst	May	703	(746)	7.44	(7.97)	7.95	(7.95)
Davies & Newman	Dec	38,720 L	(3,100 L)	-	(-)	-	(8.0)
de Morgan Group	Apr	1,130 L	(414)	-	(1.84)	-	(1.37)
Dowty Group	Mar	60,600	(85,400)	15.0	(21.3)	9.2	(9.0)
Druck Holdings ♣	Mar	3,030	(4,220)	29.6	(40.0)	8.6	(8.2)
Eastern Electricity	Mar	130,600	(-)	29.8	(-)	10.12	(-)
Electric & General	May	4,090	(3,850)	3.28	(3.08)	3.0	(3.0)
Ensor Holdings	Mar	327	(1,590)	2.13	(10.5)	1.25	(3.3)
Evans of Leeds	Mar	8,040	(7,550)	9.44	(7.86)	3.74	(3.4)
Farepak	Apr	3,700	(2,910)	22.1	(17.0)	7.74	(5.95)
Feedback	Mar	58	(446)	0.17	(2.86)	0.5	(1.75)
Fleming Int'L High	May	5,800	(4,200)	3.58	(2.57)	3.57	(2.35)
GEC	Mar	818,000	(872,000)	18.6	(20.2)	9.25	(9.25)
Gold Greenlees Trott	Apr	5,020	(7,680)	19.16	(30.9)	8.3	(8.3)
Graig Shipping	Mar	1,010	(3,420)	7.2	(22.1)	4.0	(6.5§)
Hollas Group	Mar	74	(2,630)	-	(3.8)	1.2	(3.2)
Hoyle (Joseph)	Apr	243 L	(264 L)	-	(-)	-	(-)
In Shops	Mar	3,710	(3,250)	7.3	(6.3)	2.45	(2.04)
Ivory & Sime	Apr	2,910	(2,560)	6.69	(4.96)	5.75	(5.75)
Lister & Co.	Mar	1,710 L	(1,270 L)	-	(-)	0.1	(2.0)
Markheath Securities	Mar	4,080 L	(11,800)	-	(12.7)	4.0	(6.0)
Marling Industries	Mar	3,600	(7,510)	4.84	(14.7)	4.2	(4.2)
Midlands Electricity	Mar	110,000	(-)	35.7	(-)	10.5	(-)
Monarch Resources ♣	Dec	6,300 L	(363)	-	(0.003)	-	(-)
MS International	Apr	59	(3,700)	0.4	(8.4)	2.5	(4.16)
Northern Electric	Mar	89,200	(-)	41.4	(-)	11.38	(-)
Powergen	Mar	272,000	(-)	23.0	(-)	5.55	(-)
Reed Executive	Mar	798 L	(5,100)	-	(5.8)	0.6	(1.2)
Save & Prosper Return	May	3,280 †	(2,960 †)	11.36	(9.97)	7.37	(6.25)
Scottish Hydro-Elec.	Mar	60,300	(-)	-	(-)	-	(-)
Scottish & Newcastle	Apr	216,800	(183,300)	34.1	(28.7)	15.0	(13.0)
Seeboard	Mar	61,400	(-)	43.6	(-)	10.36	(-)
South Western Elec.	Mar	66,200	(-)	41.6	(-)	10.57	(-)
Stirling Group	Mar	1,060	(2,740)	2.23	(5.09)	1.5	(1.5)
Swanyard	Dec	278	(230)	2.41	(2.1)	-	(-)
Syltone	Mar	2,730	(2,400)	19.8	(17.5)	9.0	(8.0)
3i	Mar	38,200	(59,400)	12.2	(18.4)	10.43	(9.7)
Tilling (Thomas)	Dec	152,000	(175,000)	9.5	(11.6)	8.15	(11.2)
Transworld Comm.	Dec	1,840 L	(4,560)	-	(32.0)	-	(12.0)
Turnbull Scott	Mar	3,390 L	(2,800)	-	(28.9)	-	(9.0)
UMECO	Mar	701	(773)	9.0	(9.8)	3.89	(3.61)
Vardy (Reg)	Apr	4,370	(4,450)	9.6	(11.0)	3.6	(2.4)
Walker & Staff	Mar	389	(389)	11.0	(11.1)	3.3	(3.0)
Wintrust	Mar	4,010	(5,420)	27.4	(37.0)	9.3	(8.7)
Yorshire Electricity	Mar	134,600	(-)	45.6	(-)	10.81	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Anglia Secure Homes	Mar	4,220 L	(2,860 L)	-	(-)
Anglia TV.	Apr	3,070	(8,060)	2.86	(2.86)
Bankers Invest.	Apr	2,390 †	(2,210 †)	0.8	(0.66)
Colorvision	Mar	1,940	(3,460)	2.5	(2.5)
Cranbrook Elec.	Mar	95 L	(251 L)	-	(-)
Crest Nicholson	Apr	33,900 L	(572)	-	(3.0)
Dewhurst	Mar	201	(559)	0.6	(0.6)
First National Fin.	Apr	6,240 L	(29,120)	-	(4.5)
Granada Group	Apr	38,500	(63,300)	2.5	(4.4)
Greenwich Comms.	Feb	95 L	(57 L)	-	(-)
Lynx Holdings	Mar	105	(53)	0.5	(-)
Newman Tonks	Apr	7,310	(11,400)	3.8	(3.8)
Partridge Fine	Apr	738	(2,630)	1.0	(2.0)
Prospect Inds.	Mar	112	(283)	0.1	(0.1)
Securicor Group	Mar	13,470	(30,900)	0.82	(0.82)
Securiguard	May	2,160	(3,000)	3.2	(3.2)
Security Services	Mar	8,790	(22,550)	1.29	(1.29)
Southern Business	Mar	6,470	(6,320)	1.03	(0.94)
Speyhawk	Mar	10,600 L	(6,100)	-	(3.5)
Teredo Petroleum	Mar	273	(129)	-	(-)
Tottenham Hotspur	Nov	2,140 L	(1,040)	-	(1.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net revenue. ♣ Figures quoted in US dollars & cents. § Includes special anniversary dividend of 3.5p. ♣ This years figures for 9-months.

RIGHTS ISSUES

Airsprung Furniture Group is to raise £3.2m via a one-for-four rights issue at 145p.
Burton Group is to raise £161m via a one-for-one rights issue at 30p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Alan Paul	Wednesday	0.9	2.1	1.0
Asda Group	Thursday	1.85	2.95	1.85
Bogod Group	Tuesday	0.1	0.22	0.1
British Building & Eng.	Friday	1.0	1.5	0.5
Bucknall Group	Tuesday	1.3	3.5	1.3
Cabra Estates	Wednesday	1.25	-	0.1
Carclo Engineering Group	Monday	1.55	5.55	1.71
Christie Group	Friday	1.4	1.4	-
Colefax & Fowler	Tuesday	1.3	2.4	1.3
Crey Electronics Holdings	Thursday	-	-	-
Creighton's Naturally	Monday	1.6	4.0	1.8
Daejan Holdings	Monday	8.0	15.0	8.0
Dixons Group	Wednesday	1.6	4.0	1.6
Greene King	Thursday	2.9	6.9	3.3
Harris (Philip) Holdings	Wednesday	2.0	3.75	2.0
Howden Group	Tuesday	1.59	3.58	1.59
Jurys Hotel Group	Thursday	2.0	3.0	2.0
Leica	Thursday	-	0.68	0.25
Manweb	Wednesday	-	-	-
Morris Ashby	Thursday	1.7	2.4	1.7
Mosaic Investments	Monday	3.0	4.25	3.5
Park Food Group	Thursday	1.95	4.35	2.3
Pepe Group	Friday	2.5	4.0	2.5
Real Time Control	Tuesday	-	1.0	-
Reliance Security	Monday	1.8	5.2	2.2
Stewart & Wight	Wednesday	-	90.0	-
Symonds Engineering	Thursday	0.45	0.8	0.3
Topz Estates	Wednesday	-	1.6	0.5
Total Systems	Wednesday	-	-	-
Verson International Group	Friday	0.21	0.6	0.3
Wyko Group	Wednesday	1.4	2.35	1.4
INTERIM DIVIDENDS				
Abbey Panels Investments	Friday	1.5	2.8	-
BWD Securities	Wednesday	1.0	0.75	-
Cardiff Property	Wednesday	0.85	1.55	-
Cityvision	Wednesday	0.5	0.5	-
Domino Printing Sciences	Wednesday	1.75	3.45	-
Fleming American Invest.	Thursday	0.5	1.25	-
Invicta Sound	Tuesday	-	0.75	-
Leslie Wise Group	Wednesday	1.75	2.25	-
Low & Bonar	Tuesday	2.7	6.4	-
M&G Dual Trust	Wednesday	29.4	38.9	-
Rank Organisation	Thursday	10.25	20.75	-
Torex Hire	Wednesday	0.8	0.8	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

The Financial Times proposes to publish

The Pensions Management Institute examination results

on

Wednesday 17th July 1991

For further information please contact Stephanie Spratt on 071 873 4027

FINANCE AND THE FAMILY

The Smart Saver

The problems of rich squirrels

***Scheherazade Daneshku** on where to stash away £1,000 a month*

ANYONE WHO can afford to save £1,000 a month might seem to have few problems. But the more there is to save, the greater the range of choices and the harder to decide between investments.

There is the fear of being pushed into unsuitable policies by those earning high commission, the fear that the money is not being saved in the most tax-efficient way and the worry that inflation — the greatest enemy of all — will eat into the diligently-saved cash.

The best strategy is not to take out too many policies — this will entail duplicating charges and needs. Decide too whether you seek primarily income or capital growth and keep a certain amount in an instant access high-interest building society account for the day the roof falls in.

Anyone with the ability to save £1,000 per month is likely to be a higher rate taxpayer in whose interests it will be to seek the most tax-efficient investments.

We emphasised last week the benefits of a Pep (personal equity plan) for the £200 a month saver. The person who has five times this amount to save every month should certainly think seriously about taking out a Pep. Potential gains at the level should now far outweigh the initial costs.

The income from the shares in which the Pep is invested is free of income tax and there is no capital gains tax to pay once the shares are sold, making it even more attractive for the higher rate taxpayer. Indeed, a Pep is regarded by the Labour party as such a lucrative tax-free advantage that it is highly likely to disappear should Labour win the next election.

The range of choice at this level is greater. Last week, we examined Peps in unit trusts and investment trusts. Both showed their potential suitability as long-term investments (10 years) than over shorter periods.

However, the stock market buff may want to play the market himself with a "self-select" Pep, in which you choose the companies you want to invest in. A number of companies offer a self-select PEP; you will need to pay normal commissions on dealing plus an initial and annual charge on top.

For this reason, James Higgins of Chamberlain de Broe, advises the investor *not* to invest £1,000 a month but to put the monthly saving on deposit within the Pep instead (where it will earn interest at gross rates) and then to buy shares in denominations of no less than £2,500 at a time. Large shareholdings mean that you will be able to avoid over-the-odds commission when you decide to sell. To protect yourself, you should aim to have shares in at least half a dozen companies. You would therefore need to run a Pep for more than one year to achieve this.

The limit on investment in a Pep in any tax year is £6,000, although husband and wife can take out one each. If you are unmarried and want to invest more than £6,000 in equities, John Cobb of Sheppards, the private client stockbrokers, points out that you can still enjoy tax advantages through your capital allowances.

You can make up to £5,500 in capital gains — and £11,000 if you are married — in the present tax year without paying CGT. You can also claim indexation — both the original cost of your shares and any expenses can be increased in line with the Retail Prices Index before calculating the size of your gain. This means that it may well be a number of years before any CGT is payable on the non-Pep equities, says Cobb.

If you still have not used up your capital gains allowance, it could be a good idea to invest a lump sum in zero dividend shares of an investment trust, which should provide relatively steady capital growth. These are reasonably safe investments which will have first claim on the assets of an investment trust when it is wound up. Any gain will be classed as capital gains for tax purposes, not income.

Pensions are another tax-efficient area. Again, these are a long-term investments policy but one which savers, particularly those who are within 20 years of retiring, may wish to consider. Those in a company pension scheme have the right to make additional voluntary contributions (AVCs) of up to 15 per cent of their annual income.

AVCs are treated in the same way as ordinary contributions to a pension, that is, they obtain top rate relief.

Higgins warns that the cheapest way to do this is again to avoid making regular contributions: "Signing a direct debit for an insurance company pension scheme means that the company will apply all the forthcoming years' charges to this year's investment and will pay commission on that basis." He advises saving the cash during the year and making a single contribution at the end of the tax year.

Some companies will match extra contributions with some of their own, although it is as well to check whether your AVCs will go into the general pension fund, in which case you may not be able to obtain the full benefit or whether they will be in your own name.

An alternative is to have a free-standing AVC from a life company or other provider. The FSAVC allows you to choose where to place your investment; you may decide that you can afford to go for a higher-risk investment given that this is a top-up measure for a pension that is otherwise secure.

The charges on a FSAVC will be higher than an in-house scheme but, on the other hand, it is a portable scheme, should you decide to change jobs.

Finally, although the chance might be small, make sure that you do not "overcontribute" and cross the 15 per cent limit. The pensions cap applies which means that this year you cannot contribute more than 15 per cent of £71,400. Extra AVCs will be returned to you only on retirement after a tax deduction.

Another scheme which may appeal to higher-rate taxpayers are single premium investment bonds. They can be useful for the higher-rate tax payer who has not used up his or her capital gains allowance, since 5 per cent of the value of the bonds can be withdrawn each year and the tax charge deferred until the entire bond is cashed in.

This ability to defer higher rate tax should prove particularly attractive to higher-rate taxpayers who fear a Labour government. However investors should remember that the income element of investment bonds may only be achieved by eating up their capital. And the tax treatment of insurance funds is not as favourable as that for unit trusts, so their performance will be less good in the long term.

Investors looking for short-term saving measures could put funds into an offshore deposit account to allow the interest to accumulate gross. If your spouse does not work, you can use up their personal allowance (£3,295 in 1991-92), which at current interest rates, allows scope for savings of around £30,000.

The National Savings Yearly Plan pays a tax-free fixed rate of interest of 8.5 per cent. To get this rate, you would have to invest the monthly maximum of £200 for a year and hold the plan for another four years, when the proceeds would be totally tax-free.

To counter inflation, £10,000 a year could buy you index-linked national savings certificates or index-linked gilts. the former pay 4.5 per cent over inflation tax-free if held for five years; the latter are currently yielding around 4 per cent over inflation if held till redemption and are free of CGT.

Finally, it is as well not to forget a Tessa (tax-exempt special savings account) into which you can put £3,000 in the first year and then £1,800 per annum over the next four years, to earn tax-free interest on £9,000 after 5 years. Tessa are losing part of their allure as interest rates drop but they do provide an absolutely safe way of tax-free saving.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Berkeley Group	621,000	1,975	4
Hambros	100,000	264	1*
Hazlewood Foods	250,000	458	1
Henderson Admin	24,500	145	4
Huntleigh Tech	45,000	108	1
Intl Comm & Data	375,000	53	1
Ladbroke	674,000	1,725	3*
Marina Devel	162,000	332	1
Mercury Asset Mngmt	10,000	71	1
NMC	50,000	34	1
QS Holdings	360,000	756	1
Sims Foods	1,002,926	2,878	1
Steel Burrill Jones	85,000	250	2
Tate & Lyle	20,324	77	1
Wagon Ind	85,000	335	1*
Weir Group	41,611	141	1*
Willis Corroon	56,055	170	1*
PURCHASES			
Henderson Admin	5,000	30	1
Intl Comm & Data	375,000	53	4
New Zealand Inv Tst	100,000	83	1
NSM	1,500,000	210	2
S & Saatchi (ADR's)	506,000	$443	1
Value&Income Tst CP	49,000	63	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £25,000. Information released by the Stock Exchange 24-28 June.

Source: Directus Ltd, Edinburgh

THE trend in director transactions has been reversed. After several months where sellers outnumbered buyers, there were 1.7 buys to every sale during June. The most heavily bought sector is engineering with the most heavily sold being insurance brokers.

The share price of NSM, a building materials and energy company, has lost nine tenths of its value over the last two years, with recent results showing a collapse in profits. Seven directors held in total less than 15,000 shares all the way down, but these two purchases display confidence in the company.

Dr Tom Russell of Saatchi & Saatchi, another company to have fallen from grace, has bought the equivalent of 1.5m ordinary shares.

The shares of Berkeley Group discounted a downturn in the housing market in 1989, and have subsequently more than doubled. When directors deal on this scale and in unison their lead is usually well worth following. Ron Randall, chief executive of Sims Foods, is to retire at the end of the month, and the sale shown in our list reduces his holding by half.

FINANCE AND THE FAMILY

Diary of a Private Investor

Trapped in a BES after five bad years

SEVERAL promoters of *business expansion* schemes have recently *sounded rather defensive* about their activities.

For *example, last month I* received a copy of Johnson Fry's latest BES *bulletin, the* front page of which was headlined *"You Can't Please All* the People, All the Time".

It featured a "Mr A" who had complained that he had "lost money on four of our companies that have gone bust. No mention of the other 10 he holds that haven't or the fact that he 'chose' the four to invest in. We accept this as part of life. What we are not prepared to accept is the further comments that this shows you are not interested in your individual investors and, what is more, spend all your time emphasising your successes and ignoring your failures. Nothing could be further from the truth. We exist 'only' to look after our investors."

In 1985 I invested in a BES company, Hotel Apartments, *sponsored* by Johnson Fry. It was formed to provide quality *suites* in areas of central London. The first property bought *by the company met with planning* problems and in 1986 a circular to investors stated *that the property would be sold* at a price which would produce *"a profit, possibly substantial,* to the company." It had also *bought the* Alexander Hotel in Kensington.

I had thought that I would see some return on my investment *last* year, having held the BES shares for a full five years and since *Johnson Fry* had written to me on November 1 1985 stating that the offer to subscribe for shares had closed on October 22 that year.

Unfortunately, in March last year Johnson Fry said that because of "some later investment in March 1986, the five-year period for all BES investors is not completed until the end of March 1991." However, the company's two hotels had been sold and the company had more than £2.75m on deposit.

I therefore looked forward to a pay out in April this year, even though it was unlikely to be much more than my original, gross investment.

In May, Johnson Fry said payment had not been made in April because the board *of* Hotel Apartments (which *included Charles Fry*) had "been examining alternative

ways of maximising the payout to shareholders" and had "commenced discussions which may lead to a cash offer being made for the company. In the event that an offer for the company is made, the offeror will pay all the legal and adviser's fees incurred by Hotel Apartments."

Shareholders were asked if they wanted cash, the implication being that this might be paid in June, or if they would like the company to buy back the hotels it had sold, for perhaps *40 per cent of the price at* which they had been sold.

Apparently 60 *per cent of* investors responding said they wanted cash, while 40 per cent *wanted the hotels* bought back. According to Johnson Fry's *bulletin whatever* they do will "upset at least 40 per cent of shareholders" – especially as they had received comments ranging from "give me the money now or I'll report to you to every regulatory authority in the country" to "I didn't invest for tax relief, I invested in a business and you must continue if you can get such a good deal."

Cash is expected to be paid out this month. *At* least I hope it is.

This seems to highlight what many investors appear to have overlooked when they originally invested in the BES: they appreciated the risk that they might lose all their money (hence the need for tax inducements), but they thought that after the five-year periods were up it would be a relatively simple matter to cash in their investment. It is not.

For some BES *sponsors,* winding up a BES fund must have proved a time-consuming and difficult process finding *buyers for their holdings* in an assortment of companies.

For example, I invested in the Britannia 1983-4 BES which attracted total funds of just under £1.4m. *The fund invested* in 10 companies. Of those companies, three went into receivership, one was successfully floated on the stock market, and the fund managed to sell its holding in three of the companies in 1989. The proceeds *from the* sale of the three remaining shareholdings was received earlier this year.

The result was that for every £1,000 the fund had invested, the disposals produced only £770.12p. But that is better than some funds of that period.

One wonders whether all the people who flocked to invest into assured tenancy BES companies have remembered that, at the end of five years, it may prove difficult (particularly if there is a Labour government) to remove all the tenants and/ or to sell the properties at a good profit.

Investing in a business *expansion scheme is not just* about taking advantage of tax *rates* – *but accepting* certain degrees of risks and the possibility of being *locked into* an investment.

Kevin Goldstein-Jackson

Best unit trusts over 10 years	% rise
Key Income	639.7
Capability Spec Sits	610.7
James Capel Income	602.4
M & G Midland & Gen	573.7
Gartmore Inc	556.4
Schroder Tokyo	555.9
KB European	554.6
Capability Inc & Gth	544.8
Bishopsgate Progress	535.5
Bishopsgate Intl	525.3

Source: Finstat. Offer-to-bid with income reinvested

The longer-term lessons of the top ten funds

TWO lesser-known fund management groups have a stranglehold on the list of the ten best performing unit trusts of the last ten years.

Capel-Cure Myers Capital Management, via the Capability and Key ranges, has three funds in the list, including the top two. Key Income and Capability Special Situations were prominent in the last list of top performing unit trusts which we published six months ago.

Since then, Capability Income & Growth has climbed *into eighth place.*

None of the three funds, however, *has that impressive* a record in the short term, and their high *ranking depends* largely on their excellent performance in the *early 1980s.*

The two Bishopsgate funds, International and Progressive, were also in the list six months ago, although they are drifting down the rankings. Bishopsgate is part of the J Rothschild Group.

UK funds dominate the list, with six out of the ten best performers. Admittedly the great movement to specialisation occurred after July 1, 1981 – the starting date for this table.

But when one considers the fact that the two Bishopsgate *funds* are international generalists, the table still illustrates the *attractions of* broadly-based funds to long term investors.

Single country funds are more *likely to dominate* the shorter term tables, but will be more *volatile* over the longer term.

Philip Coggan

THE BEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Southdown BS	SuperSaver	0273 471671	Instant	£1	11.50%	Yly
Cheltenham & Gloucester	*London Share*	*0452 372372*	*Instant*	£2,500	12.25%	Yly
Allied Trust Bank	2 mth Not A/C	071 626 0879	2 Mth	£2,001	12.57%	Yly
Norwich & Peterborough BS	Special 85	0733 371371	85 Day	£10,000	11.85%	Mly
National Counties BS	90 Day A/C	0372 742211	90 Day	£25,000	12.85%	Yly
Lambeth BS	2 Yr Term Share	071 928 1331	2 Year	£500	12.90%	Yly
Bradford & Bingley	Maximiser Elite	0274 555555	1 Year	£25,000	12.83%	Yly
TESSAs (Tax Free)						
National Counties		0372 742211	5 Year	£3,000	14.50%	Yly
Exeter Bank		0392 50636	5 Year	£250	13.75%	Qly
West Bromwich BS		021 525 7070	5 Year	£150	14.00%	Yly
Lambeth BS		071 928 1331	5 Year	£20	14.00%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	11.00%	Yly
National Mortgage Bank	High Int Sav A/C	021 712 2801	Instant	£500	11.50%	½ Y
				£2,000	12.00%	½ Y
Chelsea BS	*Classic P/Acc*	*0242 521391*	*Instant*	£10,000	11.80%	Yly
				£25,000	12.30%	Yly
Northern Rock BS	Current A/C	*091 285 7191*	*Instant*	*£25,000*	*11.61%*	*Mly*
OFFSHORE ACCOUNTS (Gross)						
Leeds Permanent O'seas Ltd	Overseas Gold	0624 626266	Instant	£50,000	12.20%	Yly
C & G Channel Islands Ltd	*Guernsey Gold*	*0800 717505*	*Instant*	*100,000*	12.65%	Yly
Bradford & Bingley Douglas	Maximiser Ind	0624 662883	90 Day	£5,000	11.50%	Yly
Yorkshire BS Guernsey	*O'shore Key Extra*	*0481 719898*	*180 Day*	*£50,000*	13.00%	Yly
C & G Channel Islands Ltd	Guernsey Bond	0800 717505	12 Mth	£10,000	12.25%	OM
GUARANTEED INCOME BONDS (Net)						
American Life FN		*081 680 7153*	*1 Year*	£50,000	9.25%	Yly
CCL Assurance FN		081 752 0200	2 Year	£5,000	9.20%	Yly
Prosperity Financial FN		0800 521546	3 Year	£2,000	9.30%	Yly
AEGON FN		071 538 8800	4 Year	£50,000	9.45%	Yly
Liberty Life FN		081 440 8210	5 Year	£25,000	9.60%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	11.00%	Yly
	Income Bonds		3 Month	£2,000	11.75%	Mly
	Capital Bonds C		5 Year	£100	11.50%	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	36th Issue		5 Year	£25	8.50%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond	5 Year Bonus	5 Year	£25	11.84%	

All rates (except Guaranteed Income Bonds) are shown Gross
*= Gross Equivalent Rate. Fixed; Fixed Rate (All other rates are variable. OM= Interest paid on maturity. N= Net Rate. B= Bond
Source: Moneyfacts, The Monthly Guide to Investment and Mortgage Rates, Walsham House, Stalham, Norwich.

Who owns our little graveyard?

SIXTY-TWO years ago we bought a disused chapel building for use as a farm store. The tiny burial ground (about three graves) was retained by the then vendors. The whole area was and has been totally enclosed by a high wall and the public have been excluded (with no complaints) ever since.

We should like to sell but *solicitors* have been unable to discover any authority capable *of acting as vendor for the* burial ground. (After 60 years *I would have thought* we had acquired this?) The original religious denomination was General Baptist. Can you suggest anyone we could contact in order to clarify our position please.

■ As you do not appear to have made any use of the burial ground for your own benefit it may be difficult to set up a claim to have acquired title by adverse possession. The land is therefore probably still vested in the Baptist Trust Corporation as successor to one or other of the Baptist trustees listed in the Charities (Baptist Congregational and Unitarian Churches and Presbyterian Church of England) Regulations, 1961 (SI 1961 No 1281).

You should enquire of that Corporation – address: Baptist House, 129 Broadway, Didcot Oxon – or of the Congregational Federation Limited *of* that enquiry is unfruitful.

The silent Revenue

I HELP my daughter with her tax affairs. She has held various appointments in the public service and tax is deducted from her salary. She was also an elected member of a local authority and received attendance allowances from which tax was also deducted before payment. Claims have been made in respect of various expenses incurred in connection with her council work and a refund of tax was made for the tax year 1985-86.

We have made returns of income for all subsequent years accompanied by claims for expenses but no response of any kind has been made by the revenue nor have they replied to letters sent in October 1990 and January and April 1991. Of course the Revenue owes her *money* – *not the* other way round!

How do I secure a reply? Is there any appeal system to ensue the *Revenue* pay attention to a legitimate claim?

■ Ordinarily, we should suggest that your daughter first write to the District Inspector (marking both the letter and the envelope "For the attention of the District Inspector") and then, if no satisfactory response arrives within ten days, to the Inland Revenue regional office which covers her tax district. Only then, if there were still no satisfactory action, would we recommend that she write to her MP, in accordance with the Government's suggestion in the Taxpayer's Charter.

However, with the long summer recess nearly upon us, we recommend she writes at once to her MP. In our experience, letters in House of Commons envelopes receive special attention at even the most sleepy tax offices.

The House of Commons postcode is SW1A 0AA.

A late demand

I HAVE just received a tax demand for year ending 5 April 1990. The tax return was submitted on 22 May 1990. Tax return was submitted on time more than a year ago. Do I have a case for waiver of payment due to over-long time-lapse for demand of payment by the Inland Revenue.

■ You have nothing to lose by asking for relief under extra-statutory concession A19 (*Arrears of tax arising through* official error), but we doubt *whether you satisfy* the reasonable-belief condition imposed by the Inland revenue.

If you have not seen the booklet of extrastatutory concessions (IR1, with updating supplements) or the Taxpayer's Charter issued by the Government, ask your office for copies. They are both free. Or you could find copies in a local reference library - in for example, Simon's Taxes or the British Tax Encyclopedia.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

COMPUTING/MINDING YOUR OWN BUSINESS

The worm inside the glossy Apple

***David Carter** looks at the debate in the US over whether Macintoshes make you stupid*

FOR SOME years small computer users have divided into two camps. *Most people use* "IBM-compatible" PCs which run under the DOS operating system. But a devoted minority swear by the Apple Macintosh.

The Macintosh offers a "Graphical User Interface" or "GUI" in the form of a series of pictures, called icons, representing each program available. So, if you wish to delete a file you use a small pointing device called a "mouse" to move the cursor across the screen until it rests on the picture of a waste paper basket, "click", and Hey Presto!, *the file is deleted.*

Icons and the mouse make the Macintosh screen ideal for designing pictures ("graphics"). It quickly established itself in niche areas such as publishing where colour pages for magazines are usually designed on Apple Macs.

But mice and GUIs excited derision among "serious" PC users. The "real men don't use mice" school felt that using a computer to draw pretty pictures was hardly proper computing. Mac users saw themselves *as "creative" and looked on* IBMers as mere bean-counters.

Each side regarded the other with cheerful contempt. However the GUI went from strength to strength, for it had an unbeatable advantage – good *looks*. Text and numbers are plain; graphics are sexy.

So it was with grim satisfaction that IBMers read an article last year in the US magazine *Academic Computing*, by Marcia Peoples Halio, of the University of Delaware. Under the title "Student Writing: Can the *Machine Maim the Message?*" Halio, who is assistant director of The *Writing Program* in the University's English Department, offered evidence of the pernicious effects of GUI on PC users.

The University offers a writing programme to students of middle-range writing *ability. Most write* their essays on computer, and may choose between the university's IBM and Macintosh machines.

Halio recalled how in 1987, after teaching IBMers for two years, she first taught composition to a class using the Macintosh: "Never before in 12 years of teaching *had I seen such a sloppy bunch of papers.* Words were misspelled, commas were placed haphazardly, semicolons were nonexistent. Such fine points as quotation marks, apostrophes and question marks were treated with gay abandon . . . There was a difference in style and content in *these essays from those I was accustomed* to seeing from freshmen. As to style, paragraphs were brief, resulting in a lack of development of thought, and sentences too were short, obviating the need for complex punctuation. Word choice tended to be simple, spiced with slang and colloquial*isms, accentuating the simplistic* and generalised nature of the thought . . . Many of the students were affecting the pop-style of advertising or *the mass media.*

"Mac students chose to write about such topics as fast food, dating, bars, television, rock music, sports, relationships. These topics struck me as very different in a fundamental way from the essays on capital punishment, teenage pregnancy, nuclear war and drunk driving that I was accustomed to receiving from the IBMers."

Halio's instructors made similar complaints about the sloppy writing and "fluffy" topics of the Macintosh students. *Halio analysed students' essays under the* university's Writers' Workbench Text Analysis program.

Readability scores on the essays, as judged on the Kincaid scale, averaged 12.1 (college level) for IBM students, but Macintosh users scored only 7.95 – slightly less than 8th grade, below O-level standard. Both groups had started at the same standard of ability. The Mac users had gone backwards to the level of 13-year-olds.

This evidence that GUI users suffered a *deterioration of literacy caused a furore in* the US. Under headlines such as "Does the Mac Make You Stupid?" PC magazines ran articles warning their readers of the dangers of the GUI. Apple Computer Corporation *felt* impelled to release a brochure defending the Mac's use in education.

Had the top brass at IBM read Halio's article? This week they announced that, after years of rivalry, they were forming an alliance with Apple, partly out of pique that their long-time collaborators Microsoft Corporation had gone it alone into the GUI market and scored a huge success with Windows 3, a GUI operating system. All Apple can offer to its giant new partner is its GUI system, so a GUI-driven operating *system from IBM is a likely* child of this alliance.

In Britain, where the Mac has always been a high price, low volume product confined to designers and publishers, the Halio study aroused little interest. But last year Microsoft changed everything when they released Windows 3, which *allows* IBM-compatible computers to run graphics under a GUI.

Windows 3 took the PC world by storm. Having hankered so long for a product which would give them pictures like the Mac, corporate IBM users stampeded to GUI. *Microsoft claimed that 80 per cent of* new software products were being written under Windows and pundits predicted that the GUI would take over as the industry standard. Against this frenzied rush, which IBM joined this week, Halio's warning words were but a still, small cry in the *wilderness that could avail nothing.* The GUI menace was on the march.

A farmer who hopes his ostriches will take flight

***Clive Fewins** on a scheme to sell an exotic bird to the British*

ASK FARMER Frank Ayres how he prepared the business plan for his latest venture and he will answer "on the run".

"There are so many unknown factors in ostrich farming and it is so new to this country that it is almost impossible to make predictions," he said.

The ostrich enterprise that he started with his wife Linda on his 60 acre Oxfordshire farm near Banbury, Oxfordshire last October is the realisation of a 16-year-old ambition.

Ever since the Ayres visited South Africa in 1975 and saw the earth-bound *birds running at speeds of up to 40 miles* an hour in ostrich farm compounds they have wished to start Britain's first ostrich rearing venture.

The Ayres decided to seek out the attitudes of the public towards the low-cholesterol red meat that is rapidly becoming accepted in the US, where there are some 3,000 ostrich farms. More important to the Ayres than testing out the taste for ostrich meat, however, is the reaction from British farmers. They hope that the *£30,000 they have put into the venture in* the past eight months will persuade farmers that raising ostriches for their meat provides a better return on capital than rearing beef cattle.

The money came from the profits of a small building concern that Eyres runs in the neighbouring village, rather than from the herd of cattle that the couple formerly fattened on their 60 acres. The latter have proved a declining asset, which is one of the reasons they decided to make the *change from* agriculture to "ostrich culture".

"The meat is delicious and succulent. The taste lies somewhere between beef and pork," said Ayres, 45.

"It is high in protein, and low in calories. But what should interest farmers is the fact that a pair of birds can produce at least 25 offspring in a year and breed for some of 40 of their 70 years. A cow, by contrast, takes nine months to produce a calf and breeds only till the age of about 10.

"I can produce more ostrich meat on an acre of land than I can beef and I can see ostrich meat eventually becoming a rival to beef."

Raising ostriches for their meat is unlikely to to give the Ayres a rapid *return on their capital. They have a flock* of only seven for which they paid £12,000 – shortly to be augmented by two prize breeders worth more than £10,000 to be flown in from South Africa in the next few weeks.

Once these arrive at Hangland Farm the Ayres *expect breeding to begin. Mature* ostriches lay eggs throughout the year and the incubation period is only 42 days.

Once the £5,000 incubation plant is running the Ayres expect to be able to supply three- to six-month-old chicks to farmers as breeding stock. A home-bred pair of good quality three month old breeders will fetch about £1,500.

"As ostriches need relatively small amounts of land – half an acre is usually enough for the usual grouping of a male, his permanent mate and his one or two mistresses – I am expecting a lot of interest *from farmers,"* said Frank.

Fine feathered friend: Linda Ayres plays with one of the seven ostriches at the family farm in Banbury Colin Beere

"One of the other advantages of ostriches is that they are relatively easy to contain. Although they are classed as dangerous wild animals they need only 5 ft of containment – a normal thick farm hedge is usually quite sufficient."

Ostriches also take well to the British climate. They graze happily in the fields, come in at night, lured by their diet of fresh lucerne grown on the farm, and were untroubled by last winter's snow.

The Ayres are aiming at a flock of some 300 birds, and plan to supplement their breeding stock by importing a further batch of mature birds this year. They will also have to build a quarantine station, which they hope might become the national quarantine station for imported ostriches, and to complete the incubation quarters and hatchery. They expect to spend £5,000 on this work.

Once breeding is under way and they start selling birds they will concentrate on producing meat from 12- to 14-month-old ostriches.

The other important product from ostriches is their skin. The hide of a mature bird will fetch a minimum of £100. There is also a market for ostrich feathers in the fashion industry and in the theatre. The eggs, which weigh up to 3½lbs can make omelettes for 10 people, but a more common use is for the shells to be turned into craft items.

"Some people say everything can be used bar the peck!" said Ayres.

"I see no difference in farming ostriches to rearing cattle, pigs, sheep, ducks and pigs. Archaeologists tell me they have been eaten since Ancient Egyptian times. However I do prefer meat that is reared organically, and at Hangland farm we plan to develop a series of races – wide pathways through which the birds can pass between the fields – in much the same way as deer farms are organised.

"First we have to breed ostriches successfully and get the feed mix right. Only then, and when we see how the breeding stock reacts to the weather conditions and when we start selling birds, will we be able to claim to have established a successful business.

"The *whole thing is* very open-ended. We don't expect to see any return on our investment for five years, though in the US some ostrich farmers have gone into profit after two seasons."

"Whether we'll be the ones that actually make any money out of it is very much in the balance"

■ *Hangland Farm ostriches, Upper Wardington, Banbury Oxon OX17 1SU. 0295-712204.*

BOOKS

Julian Barnes, Angela Carter, James Buchan . . . as the holiday season approaches, our critics take a look at the latest summer fiction

A latter-day 'Jules et Jim'

IT IS the oldest story in the world. At any rate, one of them. Two boon companions fall in love with the same woman. The most celebrated modern treatment is Henri-Pierre Roché's novel published in 1953, *Jules et Jim*, known universally through Truffaut's 1962 film with Jeanne Moreau. She played Catherine who "marries Jules, who can't hold her, and, in despair, he encourages Jim's interest in her – "That way she'll still be *ours*."" (Pauline Kael).

Julian Barnes, who makes dutiful references to the film, uses the same plot in a 1990s London setting in *Talking It Over*. First question – how does this fit in with Barnes's previous work? It follows logically from the half chapter in his last book, *A History of the World in 10½ Chapters*. In the half-chapter, Barnes switched from all those riveting interlinked accounts of ocean-crossings, shipwrecks and survivals to dry land. The narrator was observed curled up in bed ashore, kissing the nape of his wife's neck, wondering at some length what it is that people actually mean when they talk about being in love.

Barnes is not the first highly intelligent person to have fruitlessly pondered this. Sensing, one supposes, that there is unfinished business here, Barnes now returns to this matter in the more objective framework of a single dramatic narrative which is mediated to us by each of the principals. Their voices, using the I-mode, alternate in a series of confessions. The reader is subjected to such a tenacious buttonholing from these three people that by the end he wonders if he has any buttons left.

This direct, confessional method puts a great strain on Barnes's power of mimicry, but, luckily, this is one of his strengths. Readers of *10½* will recall that he had no difficulty there in striking the right tone of voice for a querulous woodworm, a hair-splitting mediaeval jurist, an American astronaut who's gotten religion, and so on. Here he does it with a former only child in a one-parent family who became a social worker for a short while and is now a picture-restorer. She is Gillian, the heroine. What she at first imagines is meant by being in love turns out to be merely the satisfaction of her perfectly understandable need for security.

TALKING IT OVER
by Julian Barnes
Jonathan Cape £13.99, 273 pages

This protective security is provided by Stuart, whom she has just married when we first meet her. He is a modest Mr Pinstripe high up in a bank, destined to go much higher by the end of the book. His innate caution and shyness are cleverly suggested in his speech-patterns. Then there is the egregious Oliver, Stuart's best friend from school, a classic sponger and non-achiever, occasionally employed as a teacher of English, one of those straights who is *plus camp que les gais*. Two examples of his vocabulary must suffice – "getting drunk" is "being stinko-paralytico" and "having sex" is "rumpy-pumpy". Presumably expressions like this are *meant* to sound affected and dated. Anyway, Barnes keeps up this lingo for pages and pages and pages.

The trio holds the stage throughout. A wise man once said that there were three sides to any marriage – his, hers and the truth. Here there are four with two his-es. The truth – or at least a calm objective view – is stated briefly by Gillian's mother who (as this is a Barnes novel) is French and thus can recall what Chamfort and other penetrating Gallic sages have uttered on the subject of love and marriage as well as giving us the benefit of her own practical experience. In the end it is Oliver who takes over Gillian – not as in Roché by consent, nor, as in earlier accounts such as *The Knight's Tale* before marriage, but just *after*.

Yes, that is Barnes's hideous little twist to the plot. Oliver's courtship of Gillian actually begins at Heathrow on her return from her honeymoon with Stuart. Was ever woman in this humour wooed? Was ever woman in this humour won? The answer to that is a double yes.

Is this one of Barnes's best books? No. It is a long short story, painful in the extreme, not entirely plausible, but, as always, he leaves you in no doubt whatsoever about what he is trying to do. He follows his tedious trio through to their bitter ends, leaving us with a sense of the outrageous price that has to be paid for any permanent acquisition of emotional maturity. In spite of there being a distinct sense of let-down after *10½*, you will need to read it.

Anthony Curtis

Death under the crescent moon

CHRISTINA LAMB writes "Pakistan third time round was a sadly depressing place". *Waiting for Allah* is the fusion of three visits the author made to Pakistan in less than four years – to attend the wedding of Benazir Bhutto in 1987; from 1988 to 1989 as correspondent for this newspaper; and, briefly, in 1990 to update her manuscript after the sudden dismissal of the Bhutto government. Her forceful narrative highlights the acute problems of a country with a spiralling population, severe ethnic tensions and a literacy rate on a par with Afghanistan and Bhutan.

WAITING FOR ALLAH
by Christina Lamb
Hamish Hamilton £17.99, 315 pages

RESISTANCE AND CONTROL IN PAKISTAN
by Akbar S Ahmed
Routledge £12.99, 207 pages

Lamb has covered a tremendous amount of ground under her sub-title "Pakistan's Struggle for Democracy". She has gone back over 40 years in an attempt to unravel the enigma of a country which so intrigued her at first. "The whole concept," she writes of Pakistan's creation in 1947 "was based on the hypocrisy of a few." She has little sympathy for Pakistan or its leaders. "Those at the forefront of making the dream happen did not do it for Islam but, like Mohammed Ali Jinnah, a man with a weakness for a drop of whisky and a ham sandwich, to secure their own economic and political ambition."

Those who favour the theory that Moslems feared the domination of Hindus in a united India will disagree. But few can deny that Pakistan lacks political unity, and province by provincethe author examines the difficulties of keeping the "invented nation" intact.

Although Benazir Bhutto was responsible for her early interest in Pakistan, Lamb has distanced herself from favouring any of the political protagonists in Pakistan's unsteady struggle for democracy. But she does recognise how hard it was for Benazir to counter the "entrenched power structures", concurring with Bhutto's own assessment, that "perhaps, her government never had a chance."

Certainly the army only tolerated Bhutto because of pressure from the US and the belief that she might bring law and order to a smouldering Sindh. Economically, "Benazir inherited a government living on borrowed time." Lamb can throw no new light on the stories of corruption, which were the pretext for the dismissal of the Bhutto government.

The author readily slips into illustrating her text with her own experience, for example, the need to use the influence of "high-ups" for the repair of a telephone. She has also taken investigative journalism to its limits, living with dacoits (bandits) in rural Sindh and penetrating the underworld of Karachi's slums. Her book becomes pure autobiography when relating her travels with the Mujaheddin into war-torn Afghanistan.

But the book lacks cohesion. Lamb has also made some unnecessary factual errors: 16,500 "British soldiers" were not slaughtered during the retreat from Kabul in 1842. Less than 700 of the retreating army of 4,500 soldiers were Europeans; the rest were Indians with 12,000 camp followers, many of whom died of cold. More pertinently, the US did not cut off military aid after the execution of Zulfikar Ali Bhutto in 1979 but because of suspicions over Pakistan's nuclear programme.

Lamb makes no pretence at being anything other than an outsider. She frequently contrasts more mundane scenarios in Britain with her exploits. "I had come from reporting knitting exhibitions in Birmingham and gas strikes in Coventry to join the ranks of these, the war correspondents of Peshawar's American club." Yet, for her, Pakistan also becomes just another assignment. Although distressed at being deported following publication of a controversial article in September 1989 about "an attempted military coup" against the Bhutto government, she has physically and emotionally moved on. Lamb leaves the reader despondent, thinking of the many of Pakistan's millions whose time it is "to surrender to death under the crescent moon." They are no longer waiting for Allah to solve their problems but for him to deliver them from the hardships of life on earth.

In his book *Resistance and Control in Pakistan*, Akbar Ahmed has used a different approach from Lamb's multi-faceted analysis. He has taken a particular example – that of a Mullah in Waziristan in Pakistan's north-west frontier – in order to throw light on the conflict between tribal custom and the requirements of a modern state. He draws on his own research and practical experience as a Political Agent during the 1970s and much of what he says is relevant today. But the book has been badly edited. Interesting information is contained in the notes, whereas the text is irritatingly interrupted by references to sources. Ahmed's study, however, complements Lamb's generalist book and both authors provide an insight into a society where centuries still collide.

Victoria Schofield

Detail of Verrocchio's 'Tobias and the Angel': taken from 'Giotto to Dürer' published by The National Gallery/Yale (£35, p.£19.95) to celebrate the opening of the Gallery's Sainsbury Wing

Great Game with lamas

EMPIRES, LIKE revolutions, often consume their creators. Francis Younghusband, like Gordon, Lawrence and Wingate, was a doomed fanatic, driven by a combustible mixture of religion, militarism and sexual repressions.

Younghusband's obsession was with the Russian threat to the northern approaches to India, a common enough anxiety in the last decades of the 19th century. After Clifton and Sandhurst, he spent his formative years as an officer of the Indian Political Department in Haraoti and Tonk in Rajasthan, and in Hunza and Chitral, one-yak towns by any standard but hot spots in the uneasy buffer zone between two over-extended empires.

Younghusband quickly persuaded himself that the view from his North-West frontier fastnesses gave him an unparalleled insight into the yawning jaws of the great bear. This was the paranoia that had led Alexander "Bokhara" Burns to death at the hands of a Kabul mob in the first Afghan war in 1841 and the Ulsterman Louis Cavagnari to a similar fate in the second in 1879.

But whereas these predecessors were possessed of a fear that had some rational basis, Younghusband's nightmare was quite mad. His terror that the enemy might move a great force through the Himalayas concealed a sub-conscious quest for immortalisation in the *Boy's Own Paper*.

Younghusband joined the Russophobic strategists in focusing on improbable potential *points d'appui* such as Darwaz, a place so inaccessible that "travellers were swung along in baskets ... suspended from the face of the cliff". Searching in the snow for footprints of non-existent Russian armies, rather as later explorers chased after the yeti, he wanted, he said, "to discover the deepest springs of life".

Younghusband's brief moment in history, his violent incursion into Tibet in 1903-4, was completely unprovoked: Younghusband and his patron, Curzon, spread dark propaganda about Russian influence in the lamaseries, but the worst complaint they could produce was the story that the Dalai Lama was "cohabiting with a high-bred nun". By way of setting an example, Younghusband massacred 700 Tibetans at Guru and another 200 at Kala Tso. The Tibetans resisted feebly, but all they achieved was to catch a *Daily Mail* correspondent *in flagrante*: they chopped off his hand, thereby proving themselves aggressors and furnishing Younghusband with the pretext he sought to demand an indemnity of £500,000 and occupation of the Chumbi valley.

FRANCIS YOUNGHUSBAND AND THE GREAT GAME
by Anthony Verrier
Jonathan Cape £18, 238 pages

On his return to England Younghusband was feted by the Royal Geographical Society, but the British Government judged his unauthorised exploits an embarrassment. His career came to an abrupt end. He was given a knighthood – a KCIE, the order that Gladstone had declared suitable for "Indian clerks". Condemned to spend the rest of his life in the smoking room of the Travellers' Club, he took refuge in religion. His experiences with "filthy, lecherous lamas" notwithstanding, he deepened his interest in Buddhism and emerged as head of the World Council of Faiths, an ecumenical Tower of Babel.

Anthony Verrier has used family papers and other sources to retell a story that will already be familiar to readers of Peter Fleming and Peter Hopkirk. The author explains that he has written "not a biography in the usual sense of the word but rather an evocation of a man's personality and the spirit of his times". This is intelligent history of an old-fashioned sort. Devotees of the Great Game in central Asia will appreciate it.

Bernard Wasserstein

Poetic illuminations

WALKING ONE day in Boston in 1910, T.S. Eliot saw the streets suddenly shrink and divide. His everyday preoccupations, his past, all the claims of the future fell away and he was enfolded in a great silence. The 22-year-old Eliot, as they say, had had a vision. But did this make him a mystic? When asked this question Eliot always replied that you could be a poet or you could be a mystic, but each was a full-time job. Only St John of the Cross had successfully managed both. To the end of his life, though, as Paul Murray reminds us, Eliot retained a deep if ambivalent interest in mysticism. In March 1917 we even find him sitting on a mat at "a gathering of a curious zoo of people known as the Omega Club, discussing psychical research with William Butler Yeats (the only thing he ever talks about except Dublin gossip)."

Eliot has been thoroughly de-spiritualised by much recent work. The source-mongerers tell us merely what he read, the psychologists what he repressed. Murray, who is a lecturer in Mystical Theology at the Angelicum University in Rome, treats the poetry, correctly, as a spiritual quest in which Eliot continually attempts to evoke and question the type of momentary illumination he experienced that day in Boston.

What Eliot distrusted was pseudo-spirituality, the type of "instant Karma" as popular among the New Age enthusiasts of today as it was among intellectual circles in the 1920s and '30s. He even thought Yeats' verse was compromised by his occult interests: "No-one can read Mr Yeats's earlier poetry without feeling that the author was trying to get to a poet something like the exaltation to be obtained, I believe, from ... self-induced trance states, calculated symbolism, mediums. Often the verse has an hypnotic charm: but you cannot take heaven by magic."

T.S. ELIOT AND MYSTICISM
by Paul Murray
Macmillan £40, 326 pages

Yet, with typical felicity, Murray shows how Eliot was not averse to incorporating some of Yeats's hypnotic magic into his own verse. It is a siren voice within Eliot's poetic drama, suggesting the closer you get to spiritual reality, the more its false images abound.

By returning us to Eliot's interest in the texts of Eastern philosophy and in a host of writers, from Dante to Rupert Brooke and Kipling, all of whom, for Eliot, "perceive vibrations beyond the range of ordinary men", Murray shows how Eliot received his moments of illumination as much from literature as from his own experience. These chapters are among the best in the book. How often in Kipling's stories, for instance, does one get that eerie sense of another world – and how typical of Eliot, in his remarks about Kipling's "queer gift of second sight, of transmitting messages from elsewhere" to put his finger on it?

Murray is good at revealing how echoes from these writers haunted Eliot and re-emerged in his verse. In general his readings of the master's own poetic illuminations leave one's understanding enhanced. This is a rich book which, although dealing with much that is known, turns a sensibility upon it which one feels is closer to Eliot's own than that of many recent studies.

Mark Archer.

Drugs and thugs

WHEN are people going to take notice of Louis de Bernieres? His first novel was published with barely a ripple last year. Now he is back again with *Senor Vivo & the Coca Lord*, which is every bit as good as his first book. He is sharp, funny, engaging and British. What is against him perhaps is that he writes about South America; there's a hint too of magical realism in his work, a vogue which has surely had its day. But don't be put off by that.

His subject is Colombia, the drug culture of the Medellin cartels. He sets the story in a fictitious country, but the real life parallels are obvious. The coca lord is a horrendous thug whose minions rape, murder and mutilate at his command. The only person brave enough to stand up to them is Senor Vivo, a young philosophy lecturer who denounces drugs in a series of letters to the newspaper and becomes a national hero. So much so that he has to be rubbed out.

What follows is a farcical series of murder attempts, each more incompetent than the last. The coca lord's goons follow Vivo everywhere, doing their best to kill him by every means imaginable. They behave much as Kommandant van Heerden's police did in *Riotous Assembly* – and indeed, de Bernieres is doing for Colombia's drug culture what Tom Sharpe did for apartheid. His approach is flippant, but the purpose behind it deadly serious. Not everybody will enjoy his jokey style, but those who do will enjoy it immensely.

SENOR VIVO & THE COCA LORD
by Louis de Bernieres
Secker & Warburg £14.99, 280 pages

MIDDLE PASSAGE
by Charles Johnson
Picador £14.99, 209 pages

SLIDE
by James Buchan
Heinemann £12.99, 135 pages

DAY OF ATONEMENT
by A Alvarez
Jonathan Cape £13.99, 221 pages

They ought to enjoy *Middle Passage* as well, a fine novel by the American author Charles Johnson. It is a seafaring yarn of the 1830s, written almost as a pastiche of Melville, and narrated by Rutherford Calhoun, a freed slave anxious to escape a woman, who has stowed away on the first ship out of New Orleans. From the frying pan into the fire, because the ship is a slaver, bound for Africa, captained by a dwarf who spends much of his time rogering the cabin boy. Throw in a drunken boatswain, a cook with one foot, a sailor who killed his family with an axe, and it won't be long before there is mutiny on the high seas, aye, and murder too.

It is the slaves who mutiny. Fed up with dying and being thrown overboard, they take matters into their own hands and make an attempt on the ship. Whether they succeed or not, and what part Calhoun plays, is something readers will want to find out for themselves. Suffice it to say that the book is meticulously researched and reads very authentically.

Slide, by James Buchan, charts the moral decline of an Oxford man, drifting towards middle age via a job in the Foreign Office and another as a stockbroker in New York. He smoked pot in his youth, collected porcelain in Iran, held down a series of diplomatic postings in Kiev, Poland and Kuwait, yet without ever really coming to terms with life. He is sacked from Wall Street after 1987, but not before wrapping his car around a tree near the mountain Slide of the title. The crash has a cathartic effect on him, because it nearly kills his wife and their unborn child.

It's an ambitious tale, very consciously up-market. There is little formal plot as such, but plenty of literary style. He writes very spare, effective prose, strongly reminiscent of Bruce Chatwin's *Utz*.

Al Alvarez's third novel, *Day of Atonement*, is altogether more down to earth. It's a thriller set in the affluent Jewish community of north London, narrated alternately by Joe Constantine, a professional photographer, and his wife Judy. Their best friend Tommy Apple dies suddenly, leaving behind a stolen shipment of cocaine and no clue as to its whereabouts. The police think Joe must have the cocaine. So do the gangsters who threaten his wife. Joe pleads ignorance, but he and Judy are involved whether they like it or not. But are they innocent victims, or is there more to the plot than meets the eye? You will have to read the book.

Nicholas Best

Sanity, madness and unholy innocence

ANGELA CARTER'S *Wise Children* has four pairs of actor-twins entangled in a plot which out-Shakespeares Shakespeare – bed tricks, mistaken identity, a black, nightclubbing Ophelia drowned in the Thames – while their showbiz careers speak for our century: hoofing it on the boards, musicals ("What! You will?"), game shows ("2b or not 2b?").

As in Shakespeare comedy, so in Carter-land: women intrigue, unite, survive. Dora Chance, celebrating her 75th birthday with twin Nora in their Brixton home in Bard Road (geddit?) narrates in strong South London patois; actor/managers, father/uncles – no one is legitimate – Peregrine and Melchior Hazard cut in with plummy Olivier-speak. What an English novel this is, with its humour steeped in social clashes ("That sounds quayte nayce," says the Brixton granny, as she orders the entire menu at the Savoy), its nostalgia for soppy songs and gin and cabbage on the boil, its acute rendition of bus stop chatter spun out with vaudeville energy across a book's worth of Brixton family history.

Angela Carter's latest work fits a familiar, now-fashionable theme: truths in fairy tales, wise children, unholy innocence challenging ordinary respectability. A few books back, in *Saints and Strangers*, Auntie Tit-tit-tit-ania flopped across the page and Puck was a voyeur. Earlier, in *The Bloody Chamber*, nursery iconography was recast as feminist fantasy, Bluebeard the chauvinist of liberated nightmare. Carter has mellowed here into a breezy joker; like Nora, who "threw her heart away as if it were a used bus ticket," she slapdashes off lines and drags Shakespeare into Electric Avenue, as if she didn't give tuppence for the overt contrivance. The individual voice and subject – redefining sex roles and conventions – come through, but her own versions of myths and stories make likeable, local yarns rather than tales of matter and meaning.

How far do you have to rewrite someone else's story before it becomes your own? Pat Barker develops *Regeneration* from Siegfried Sassoon's 1917 protest against the continuation of war and his subsequent stay at Craiglockhart War Hospital under the care of Dr Rivers, whose job was to restore the sanity of officers driven out of their minds. In Sassoon's case, the officer instead persuaded the doctor of the insanity of war, and it is these changing views and relationships which Pat Barker's novel documents.

Regeneration is two-toned: tender in its characterisations, bleak and colourless in its horrible setting. The interest lies in the timeless question of sanity and madness, who's judging whom, which Pat Barker raises through the shifting perspectives of Rivers, Sassoon and others. The weakness is that the issue is caged in a distinct time and place, whose period feel, as in almost any historical novel, is inauthentic: quotations from the poems and the explanatory dialogue ("It's just that he got taken over by Bertrand Russell and Ottoline Morell") recall a stagey war film. Nothing wholly convinces – yet Pat Barker's concerns here are not a step away from those of her earlier novels about working women around Teesside: vulnerability, illusions about manliness, the attitudes and prejudices across the class spectrum which still define English culture.

To an English reader, Peter Handke's *Absence*, brilliantly translated by Ralph Manheim, nevertheless has "modern European novel" stamped all over it. Handke traces the journey of four anonymous people – the old man, the soldier, the gambler, the woman – across an ever-changing but always broken trampled-down landscape. This is all there is of plot, but the liquid flow of Handke's present-tense narrative carries movement along with it, like a mighty river. Trucks and planes land noiselessly in strange places, marching figures break into cartwheels and basketball, trains run from Istanbul to Ostend, hotels are called Europa, and it's hard not to see the motifs of 20th century history – the shift of peoples, homelessness, and exile, destruction, villages becoming cities – in Handke's backcloth.

WISE CHILDREN
by Angela Carter
Chatto & Windus £13.99, 234 pages

REGENERATION
by Pat Barker
Viking £13.99, 252 pages

ABSENCE
by Peter Handke
Methuen £12.99

SPIDER
by Patrick McGrath
Viking £13.99, 221 pages

Handke has worked much with films and writes with the exaggerated precision of the image-maker; concise, vast in scope, but particularised. He catches both physical detail and the existential malaise in his characters. Though he hardly bothers to identify them as people we would recognise, yet we breathe sorrow, relief, joy with them at the end. Among English writers, only John Berger fixes a sense of modern history and ideas into images as sparse, memorable and moving – and he lives in France.

If Angela Carter is virtuoso technicolour and Barker and Handke shade into grey, Patrick McGrath's *Spider* is a black hole of a book. Spider's father may have murdered his mother, but Spider has ended up in the mental asylum, and who knows what happened to the fat prostitute Hilda? Britain of the 1930s and 1950s hovers across the novel as if seen on a shaky black-and-white screen; most of the time Spider, with McGrath breathing fresh horrors down his back, is locked into his own mad world. McGrath's canny twist of plot may either be a nasty joke about the perspectives of the insane, or a low trick, according to how you read him, but this thriller's grasp for the peculiar chill of mental anguish interspersed with everyday detail is undeniable.

Jackie Wullschlager

ARTS

How to save the world from itself?

*Global artistic heritage is under attack from human and industrial pollution, says **Antony Thorncroft***

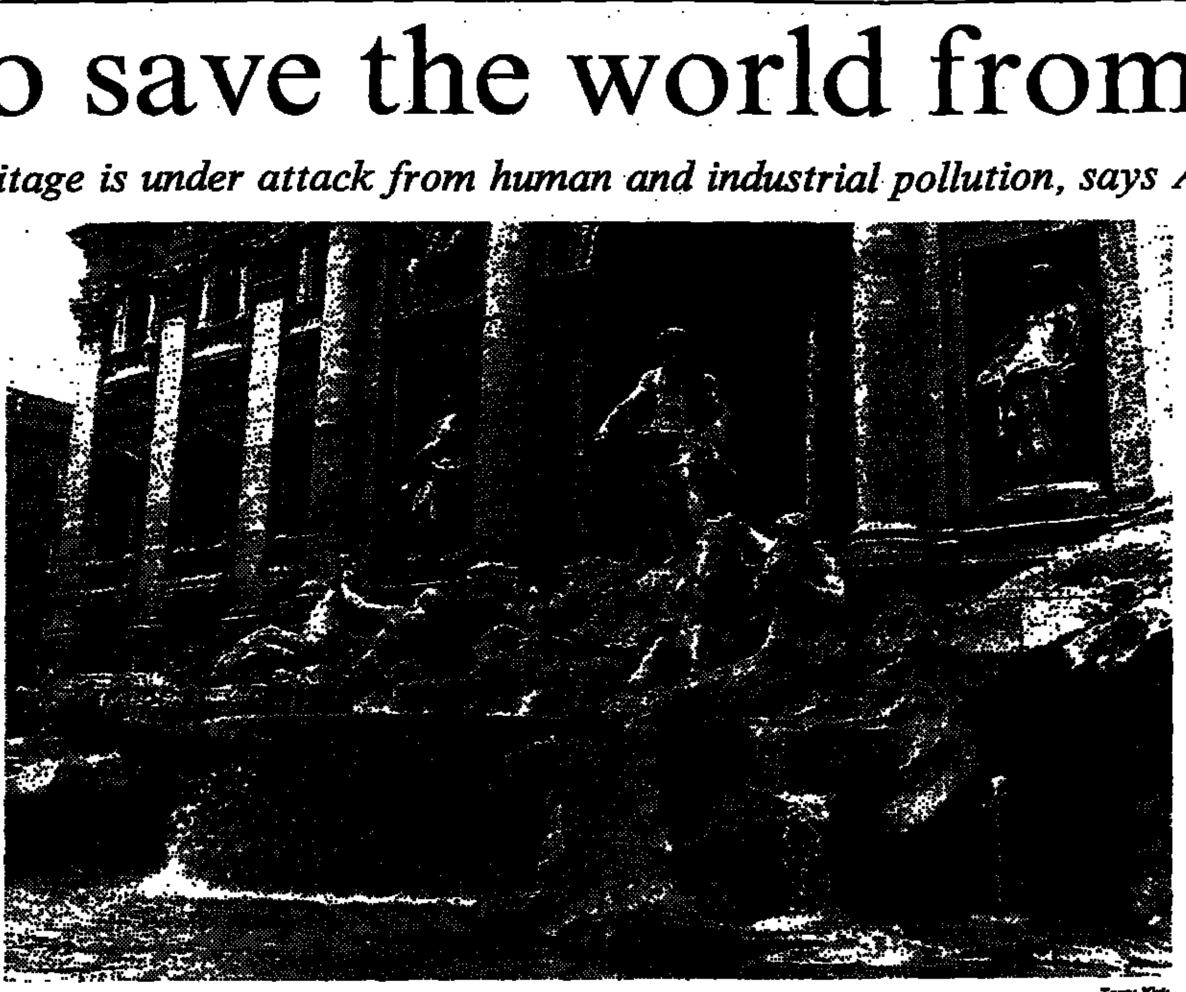
IT IS not often that you get the chance to save the world, and even though it involved a trip to Rome I was happy to oblige. Most of the acronyms known to man had got together to sponsor Media Save Art 91, a good idea that became a yawn.

The argument is faultless. The media have had some success in protecting whales, dolphins, pandas, and such like: perhaps they could be motivated to save the equally threatened global artistic heritage, which is under attack from the human pollution of cultural tourists and the industrial pollution of the environment.

The size of the challenge is gargantuan. In Italy 250,000 objects of art have been stolen in the last 20 years, mainly from churches; the acidity in modern paper has ensured that 90,000 books published between 1875 and 1960 and stored in the National Library in Paris have vanished from the face of the earth; in Italy alone there are 80,000 monuments that need urgent attention and if every desirable conservation project was undertaken it would absorb the entire national budget; of the 900 ancient artifacts created in Mali only 20 now remain in the country; in Mexico 95 per cent of all the archeological sites have been looted; in Pompeii in 1981 another earthquake damaged 560 of the 816 houses meticulously excavated on the site; only 10 per cent of the collection of the Museum of Modern Art in Rio de Janeiro survived a recent fire; the caves at Lascaux in France, with their drawings dating back over 12,000 years, the earliest manifestation of art, had to to be closed just 15 years after they were opened to the public because the images of hunted beasts were fading away.

Perhaps the best epitome of the problem is the fan of Tutankhamen. It survived, with brilliant green stiffness, for 3250 years in his encapsulated tomb; after 20 years of exposure in a museum it has shrivelled to a colourless skeleton.

The dangers are manifest: what are the solutions? It is doubtful whether international conferences can do much practical good, at least in Italy where the big names spout platitudes, with the politicians keen to trumpet their initiatives (and to gloss over the fact that Italy spends less than 0.2 per cent of its national budget on its unrivalled heritage) and museum directors, as civil servants, are careful not to annoy their superiors. The key issue in any heritage discussions in Italy – how do the treasures of the Church fit into any national preservation plan – was swept under the carpet.



The Trevi fountain in Rome: one of the few select sites to benefit from an intensive rescue operation

Terry Kirk

The local politicians were equally wishy-washy. The mayor of Venice suggested that visitor access across the bridge to his island might be controlled, by high tolls or by time limits, but although the 106 inhabitants of the parish of St Marco, who play host to 6m gawpers a year, might welcome this initiative, the majority of his constituents that live off tourism might be less enthusiastic.

The mayor of Florence hoped that visitors might be pointed towards the less famous museums, galleries and churches in his city, but few would willingly forego the Botticellis at the Uffizi for the planned museum in the old Fiat factory in the suburbs. A proposed underground system for Florence might eventually reduce the pollution.

The most practical contribution came from Sir John Pope-Hennessy, who ran the British Museum, the Victoria & Albert, and the Met in New York before retiring to Florence. He will have surprised his conservative friends by coming out in favour of punitive admission charges to reduce the throng at cultural shrines like St Marco's where the weight of numbers have caused the floors in some chapels to subside and mosaics to perish.

Sir John also welcomes the day when the majority of important classical, medieval, and Renaissance statues are brought in from the ravages of the elements and placed in the safe environment of museums. This is already happening in Florence and few realise that they are admiring perfect cast copies of famous originals. It seems impossible now that the greatest alfresco statue in Rome, that of Marcus Aurelius astride his horse on the Capitoline, will ever return to its base. But with so many important museums in Italy mysteriously closed and the interior space available for housing substantial outdoor statues very limited, even this solution poses its own problems.

Of course the progress of science is enabling rescue operations to get underway on a select few sites. The Trevi Fountain in Rome is being meticulously restored and the Vatican has a good reputation for caring for its own, aided by the millions which Sony has poured into the repairs to the Sistine Chapel. An exhibition accompanying the Congress showed the progress made in underwater archaeology, how archaeologists on the Capitoline were unearthing even earlier ages of Rome; and how the original gardens at Pompeii could be recreated by botanists. But like Sisyphus and his boulder the challenge is relentless and currently unwinnable.

This is especially true of developing countries. Africa produces less than a dozen trained conservationists a year and Asia around 50. They are powerless to cope with disintegrating marbles; fading wall paintings; theft and mindless destruction, to say nothing of earthquakes and floods and civil strife – the Gulf War opened up cracks in the two greatest Assyrian sculptures, the winged Khorsabad Bull and Shalmaneser's throne, to say nothing of the bombing of Ur of the Chaldees, the oldest city in the world.

The media can do little more than highlight, and warn, and pressurise Governments, who in their turn find minimal concern among the public at large about the disappearing past. Research suggests that the press devotes much more space to the performing arts than to the cultural heritage and Media Save Art 91, which hopes to re-emerge, ideally in a more practical frame of mind, in 1992, could transform a few arts pages. But the odds seem stacked against conservation. Italy, which is so awash with treasures that its scheme to list them has so far made little progress, is currently without a Minister for Culture, and for the last three days of the Congress the Italian press was on strike.

★

Melina Mercouri, the Greek Minister for Culture, is going on again about the Elgin Marbles, putting pressure on the EC to put pressure on the UK to remove them from the British Museum to a proposed, but unbuilt, museum in Athens.

She is exploiting a recent agreement by the cultural ministers of the EC that they should vigorously co-operate on returning to the country of origin works of art that have have been stolen and smuggled across borders. No one imagines that the new initiative should be retrospective almost two centuries.

In fact the Ministers reached an agreement on this minor matter because their Governments know that the one area which will be totally unaffected by the single market when it comes into force in January 1993 will be the movement of national artistic treasures. Ironically Greece, along with Italy and Spain, is most insistent that its cultural heritage stays in situ.

All that will happen is that each nation will each make a list of key works of art that can never be exported. Germany already has such a list of around a hundred objects: the UK could easily assemble a list amounting to a few hundred masterpieces. After all most treasures are safely in the national collections.

When it comes to Italy and the Mediterranean nations the lists could run into tens of thousands of objects. In Italy it will take longer to draw up a list than it will for Europe to accept a single currency, an elected European Parliament, and a Federal identity.

In Rome the chauvinism of nations about their artistic hoards was well illustrated by the director of the French museums who declared that after time objects take on the identity of the museum in which they are housed. With Napoleon a bigger looter for France than any Indian or African Imperialist for the UK the director of the BM can safely hide behind his colleague at the Louvre when defending historical chance.

'La Berceuse' by van Gogh: one of the Annenberg paintings which will hold its own among the Met's superb collection

Misjudgment at the Met

Homan Potterton on the problems posed by the Annenberg bequest

IN HIS recently-published autobiography, Sir John Pope-Hennessy recalls at length the care (and pleasure) he took over the installation at the Metropolitan Museum, New York of what he calls "one of the finest groups of Impressionist and Post-Impressionist pictures in the world". In a magnificent top-lit space, he collaborated with the distinguished architect Kevin Roche to create a display of the museum's permanent collection that is not just a visual feast but a sensitive and erudite arrangement of many of the greatest masterpieces of late 19th century-early 20th century art.

Brilliant juxtapositions become apparent as one moves through this gallery – the most obvious being the several paintings of apples by such artists as Cézanne, Renoir, Monet, Pissarro, and Fantin-Latour – and one is awed by the enormous strength of the Met's collection. To one side are about ten pictures by Manet; to the other, glimpsed through many of the finest canvasses Pissarro ever painted, is Monet – acres of him including what Sir John calls "his greatest painting", "La Grenouillere". A step further and there is Renoir's great Salon portrait of 1879, "Madame Charpentier and her children"; in front walls of Cézanne and to the left again, an alcove of Van Gogh. Wonderful pictures by Toulouse-Lautrec, Gauguin, and Seurat seem merely "by the way" and then there is a darkened annex of Degas pastels (almost 30 great ones), oils, and sculpture.

Now the Metropolitan plans on dismantling this display. Why? to accommodate the collection of Impressionist and Post-Impressionist pictures which Walter Annenberg has agreed to give to the museum after his death and, not just accommodate them, but make them the central focus of their entire Impressionist and Post-Impressionist holdings.

As announced earlier this year, the Metropolitan Museum outwitted Philadelphia, Los Angeles, and the National Gallery in Washington in persuading Annenberg to bequeath his collection to them – but only after they agreed to the most outlandish conditions. Chief among these was the stipulation that the collection would always be hung together as a group, a condition which precludes any of the pictures ever being lent, deaccessioned, or even integrated into the museum's overall display of Impressionist and Post-Impressionist pictures. A plan has been devised (and a scale model of it approved by Annenberg) whereby the collection will be hung as an ensemble in a sort of central pavilion with the remainder of the museum's Impressionist and Post-Impressionist works relegated to radiating chapels. By extension, Mrs Havemeyer, Sam Lewisohn, Stephen Clark and all the other benefactors who gave the Met their magnificent collections will also be assigned a supporting role.

The Annenberg collection is currently on loan to the Met (until October 13) and its temporary presence there highlights just how absurd the projected arrangement will be. The collection is very desirable; but of the 53 works in the intended bequest, no more than ten are really worthy of the Met and not even all of those will add significantly to the museum's existing collection.

For example, Annenberg's three Tahitian Gauguins, which would be the envy of most museums the world over, are hardly essential to the Metropolitan which already owns the artist's most important large Tahitian canvas, "La Orana Maria". By the same token Annenberg's attractive group portrait of "the daughters of Catulle Mendes" by Renoir pales in comparison with Madame Charpentier or even the same artist's "two girls at the piano". A reclining nude by Renoir is of only marginally better quality than the two pictures of women by Renoir which the Met deaccessioned as recently as 1989. For the Met to want Annenberg's Cézanne of "Uncle Dominique as a monk" when it already has a larger "Uncle Dominique" painted at the same time is simply greedy; and all the other types of Cézanne in the Annenberg collection – a total of eight pictures including portraits, still-life, landscapes, and bathers – are also already well-represented in the museum by much better examples.

The Annenberg collection includes a large, late Monet "Water Lilies". It dates from 1919 and, as it is one of 11 similar canvasses that the artist had for sale that year, it is hardly a rarity and nor is it nearly so beautiful as the exquisite 1899 "Lilies" which Mrs Havemeyer gave to the Met in 1929. In the case of artist after artist – Toulouse-Lautrec, Degas, Seurat, Van Gogh – one may cite similar unfavourable comparisons so that Annenberg's stated belief "in strength going to strength" as his reason for favouring the Metropolitan is seen to be very mistaken.

The Annenberg paintings which will hold their own when exhibited permanently at the museum include Gauguin's beautiful study of three women seen from the back lounging on a Tahitian porch, "The Siesta"; Van Gogh's portrait of a seated Madame Roulin, "La Berceuse"; the same artist's "Vase of white roses"; and Picasso's "Au Lapin Agile" (for which Annenberg paid US$40.7m in 1989).

Berthe Morisot's charming lady in a pink dress will fill a gap in the Met's collection, so will the Gauguin still-life; but the three flowerpieces by Fantin-Latour represent not so much "strength to strength" as "coals to Newcastle". How the Met will eventually exhibit three windy little beach scenes by Boudin or a sentimental Corot, "The curious little girl", remains to be seen; but the notion that they will be displayed as a sort of "primary" collection is ridiculous.

Walter Annenberg has been enormously generous to many museums: less than two years ago he gave $15m to the Metropolitan Museum for acquisitions and at the same time $5m each to the National Gallery Washington and the Philadelphia Museum for the same purpose. There have been many other instances of his munificence: Pope-Hennessy reminds us that he once "generously bought" a Claude for the Met. But "The Pope" also tells us that "the ideal donor . . . was (Annenberg's) sister Enid Haupt, who was prepared to back acquisitions without interposing her own taste". The Annenberg Bequest will provide a permanent reminder that that was not a family trait.

Radio

Armchair travelling

THE BRITISH like hearing about places outside Britain without actually going there, and Radio 4 began two treats for them this week. On is on Thursdays, *An Englishman in the Midi*. Englishmen in the Midi tend to be so voluble that we should be told if there is anything new this time. Not much, I'm afraid; John P. Harris gossiped about himself, where he lived (20 miles from Montpellier, but no specific names in case the neighbours mind), the Riviera, the Pézenas mince-pies and the difference between Languedoc and Provence. The five-aside tennis called *tambourin* sounds fun. This was the first talk of six, and BBC Books publishes bits of them in a £4.99 paperback.

Tuesdays offer *Northings*, more unusual – 10-minute tales of the far North, written and read by Vaughan Purvis. The first dealt with a whaling station in a tiny Arctic island, now almost out of business after a sudden lack of cod and a less sudden world prejudice against whaling. (No such prejudice here.) They now take just five whales a year, for research only. You might expect despair, but curiously enough the ships' crews were singing away happily enough. Even more curious, the crews were Lascars, whom you wouldn't think likely to enjoy life on a sub-Arctic island with a population around 200. This was also the first of six. I've heard the next two and enjoyed them both.

On Friday Sir Kingsley Amis and Ruth Rendell exchanged opinions over what was *A Good Read*. Sir Kingsley chose *For Kicks* by Dick Francis, although he is not interested in racing, and George Macdonald Fraser's *Flashman at the Charge*. Miss Rendell liked Paul Auster's *New York Trilogy* and Trollope's *Small House at Allington*. I was mostly on Sir Kingsley's side. I don't foresee An Englishman in the Midi staging in this series.

I reckoned I should enjoy *The Cookham Resurrection* (Radio 3, Sunday), because I like Stanley Spencer's painting, and I once spent weekends in Cookham. But though I admired Peter Everett's piece (based on Maurice Collis's biography), I could not enjoy it. It was a rich distillation of Spencer's life as he lived it and how he wanted it to be. Here are Hilda and Patricia ("two wives are the least I can do with"), the one harassed into madness, the other an obliging model. Here are glimpses of his father with the choir, of a patrol in Macedonia ("you did bloody well"), of his circumstances in Cookham, filthy clothes, his painting kit carried in a pram.

But we see his life through his own eccentric mind, by way of a fine performance by Donald Pleasance. Spencer's relentless, unorthodox religion blended with his experience to produce such imaginative work as the religious scenes in modern settings and masterpieces like his *Cookham Resurrection* and the murals at Burghclere. I should not have looked for a coherent analysis; my difficulty was in slotting the parts of the jigsaw into their proper places. In radio writing you can't turn back a page to check the facts.

Despite the rain, the cricket season extended into Radio 3, three short matches under the all-in title *Hat Trick!*. In *Taking Us Up to Lunch* by Peter Gibbs, on Tuesday, we overheard a commentators' dispute in the box at Lord's, with veteran Leslie, former Yorkshire bowler Frank, ex-captain (now biographer) Jimmy, and the rest. Light comedy, this one, strictly for devotees. On Wednesday, *The Ashes* by Sue Townsend, concerned the conflict that England's captain found between marriage and cricket, a fairly ordinary tale with the cricket, and Brian Johnston, worked in.

Then on Thursday, *I Always Go for Long Walks*, an all-star job – a monologue for Judi Dench, by Peter Tinniswood, directed by John Tydeman. This was not only about the amiable tedium of a cricket-lover's 53-year-old wife ("My husband applauded my half-century!") but about her sensitive reflections on her cricket-avoiding walks, and her various family adversities, all loosely cricket-connected and introduced with affecting restraint. Great stuff.

Beethoven's early Mass

THE FATE of Beethoven's earlier "solemn mass" – Opus 86 (1807) in C – is to be overshadowed by the later *Missa solemnis*. One may both accept and regret this: for though the huge Mass in D is one of the awe-inspiring masterpieces of Western music, the Mass in C deserves to be better known and more energetically admired in its own right, and above all more frequently given. Relatively speaking, it is a temperate piece, more easily placed in period, deceptively contained in its exposition of musical material. The predominant note is a gracious euphony not usually associated with Beethoven; but there *are* hints of dramatic fervour, principally in the minor-key launching of the "Agnus dei".

Thursday's performance at the Barbican Hall, by the London Symphony Orchestra and Chorus under Colin Davis, made the case for the work with special warmth, lightness, and eloquence. The combination of movement and full-toned vocal and instrumental sound was a token of this conductor's mature mastery – though Davis has long been a champion of the work, he can seldom have unfolded it with such acute sympathy.

The platform was packed with singers and instrumentalists, but the tricky Barbican acoustics were never overloaded: everything was in its right place, and in its right style – the rounded small phrases gently shaped, the climaxes built without forcing, the Haydn-like touches of colour affectionately placed. The LSO Chorus seemed to respond with a special joyousness; the four excellent soloists – whose lines, not showy but full of serene beauty, sum up the work – were Yvonne Kenny Christine Cairns, Keith Lewis, and Gwynne Howell.

As prelude to this lovingly achieved revival, Davis and the LSO produced an accompaniment to the Schumann Piano Concerto that was no less warm, gentle, and unforced: an apt setting for Alicia de Larrocha's sunny, sparkling piano tone. It's always a pleasure to hear this artist; a few flustered patches suggested that her command of the instrument is perhaps a trifle less unflappable than in the past, yet in spite of that, the sense of sovereign ease at the keyboard survives undimmed. Her limpid, graceful account of the concerto was memorable.

Max Loppert

The airy, open character of the Louisiana Museum, Humlebaek remains safe on its cliff-top

Danish collection goes underground

***William Packer** visits a very personal museum*

THE LOUISIANA Museum of Modern Art at Humlebaek, on the coast some 25 miles north of Copenagen, has its special exhibitions well worth the journey for their own sake. Lately it has been showing the art and design of Vienna in the first decade of the century, full of the work of Schiele and his contemporaries, just as we had had at the Royal Academy more or less at the same time, only with all the silver, glass, furniture and architecture of Hoffmann, Moser, Hoppe, Loos and the rest of them thrown into the bargain.

But the Louisiana is not really a museum like any other. It is simply the sort of place to visit whether it has a special show to offer or not: and even if it has, there is little point in rushing away, what with the view, the gardens, the restaurant, and above all the permanent collections.

The museum is centred on the orginal house on the property, built in the mid-19th century in gardens and orchards on a low cliff overlooking the sea, with a prospect on a clear day all the way to Sweden. It is the creation and continuing enthusiasm of one man, Knud Jensen, its founder and still its director. Although it is now a Foundation under Royal Charter, with its board of governors, full team of curators and government subvention, he remains very much its guiding force. It is indeed a very personal place.

Jensen bought it in the mid 1950s, after a take-over of the family cheese-making business left him free to indulge his enthusiasm for contemporary art. He began collecting, not just Danish but the whole currency of international art. He opened the house in the first stage of its development as a museum in 1958, with further expansion thereafter at regular intervals, in 1966, 1971, 1976 and 1982, extending a wing out across the gardens now on this side, now on that, with always the sea, the lake and the gardens visible from within.

Recently yet another and final extension was opened, in the only direction left available, which is underground. Thus, though the wide spread of the existing north and south wings, that enclose the gardens to the landward side, is now given a physical link to complete the triangle, the open, airy character of the museum on its cliff-top is safe.

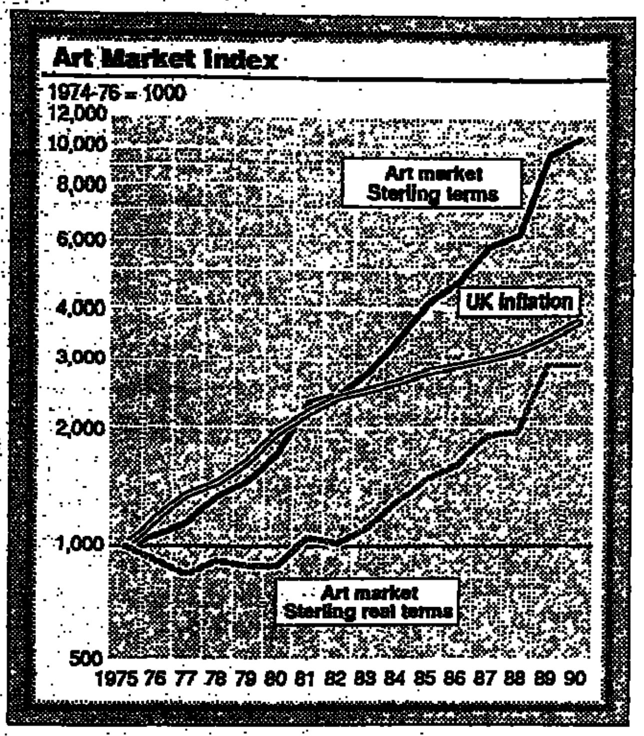
The Louisiana in the main is a collection of post-war western art of all kinds, and this new subterranean wing, with its inevitable lack of natural light, is principally intended for showing of works on paper.

The architecture, by Jorgen Bo and Claus and Vilhelm Wohlert, is discreet, practical and undemonstrative, with only the low, light pavilions of conservatory and winter-garden at either end above ground. Down below, the galleries are clean and simple spaces, set in series and leading into a long curved gallery and at last to a larger central hall. All are intimate enough to the purpose but quite able to accomodate larger work of whatever kind. It is never the policy here to stick to rigid hang by category or discipline.

The Giacomettis may have found their permanent home in the deep gallery above the pool, in the 1958 extension; for them the setting could hardly be improved upon. For the rest, and the new graphics wing with it, change remains the only constant, determined as much by the director's intuition as by any critical rule. So Picasso may surprise the visitor at any turn, Pasmore sits wth Vasarely and Soto, Albers with Sean Scully and Alan Green, Bacon with Dubuffet, Tapies and Richier, Long with Judd and Ryman.

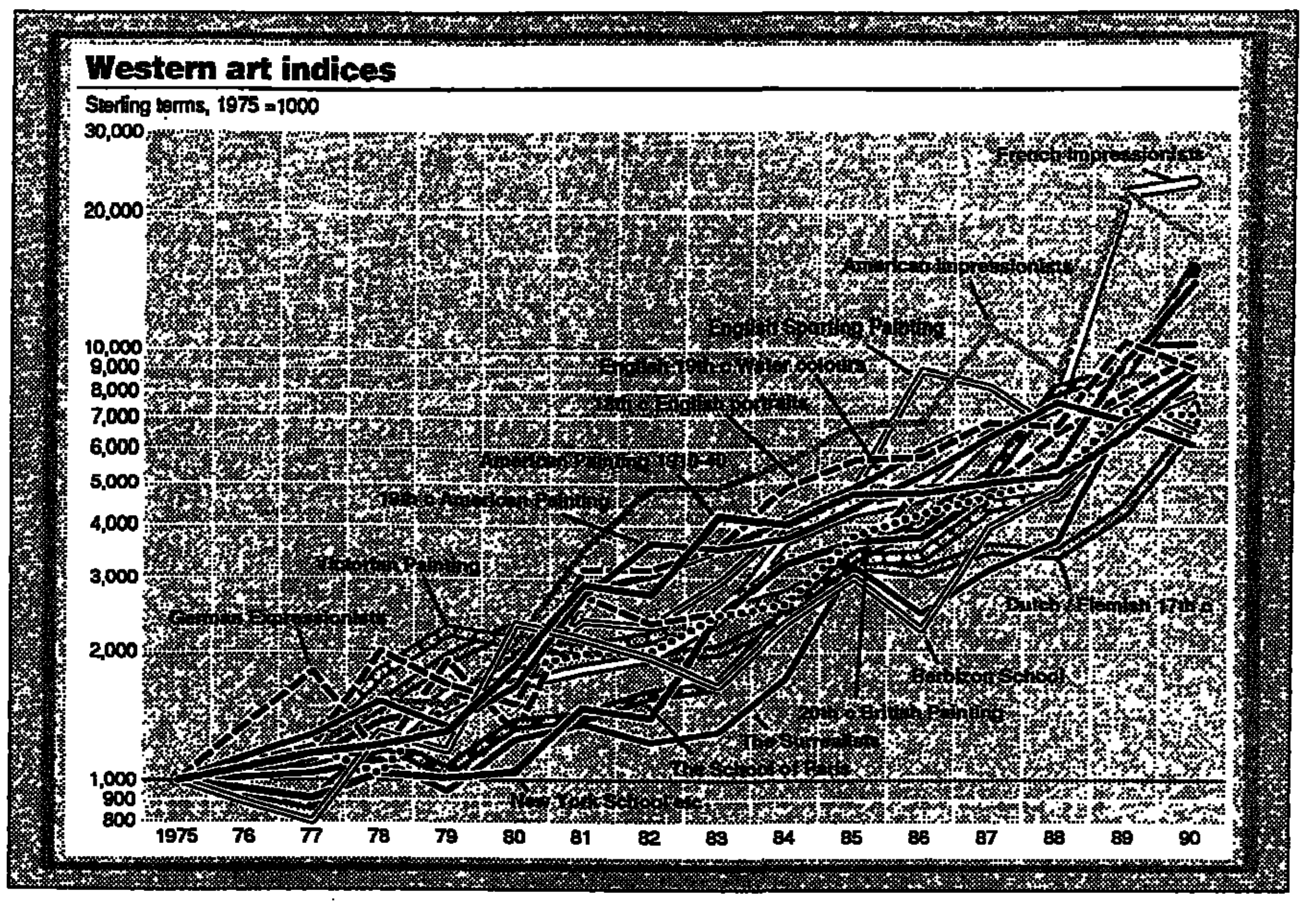
Within the new wing, drawings and prints are for the moment similarly miscellaneous, to celebrate the scope and quality of the collection. So we move from Sam Francis water-colours to Baselitz woodcuts by way of Johns and Rothko, Pollock and Ruschenberg, Cucchi and Paladino, Hall and Chillida, Riley and Hesse, prints, drawings and water-colours alike, with Jenny Holzer's electronic epigrammery to round it all off in the new hall for temporary installations.

All might be quite different next week. But outside at the cliff's edge, stark against the sky, Moore's reclining woman looks forever out to sea.



Market is down but not out

*Although the top end of the art business suffered last year demand for mainstream works remains strong, reports **Robin Duthy***



THE ART market stumbled badly in 1990 but did not collapse as the press gleefully reported. That misunderstanding occurred for three reasons. First, lacking the overview that is possible in a full annual listing of prices, some journalists based conclusions on slender evidence. Second, dramatising moderately bad news is endemic to this type of journalism. Third, the widespread antipathy toward the salerooms was transformed into an almost ghoulish delight at their apparent come-uppance. However, preparations for a wake proved premature.

The sharp drop in volume at Christie's and Sotheby's in 1990 is explained almost entirely by failures at the upper end of the Impressionist and Modern markets. Yet demand for mainstream works remained strong. Moreover, weakness in the £200,000-plus price range, leaving aside other factors, was a predictable response to a greatly increased supply. With Impressionist and Modern paintings falling short of overly optimistic reserves, some sections of the press claimed that the market had dropped by 50 per cent or more.

The facts tell a different story. Paintings by 150 important artists in the present survey sold at auction during the 1989/90 season numbered 5,700, up 5 per cent on the previous year. More surprising still, prices overall showed an *increase* of 9 per cent in sterling terms, in what should be seen as a year of consolidation in the mainstream. This is all the more remarkable for coming after the previous year's record rise of 55 per cent. (The period under review takes in the strong autumn of 1989, the weak spring and the depressed summer of 1990).

Even so the 1989/90 season will not evoke fond memories for the auctioneers. Record prices early in the season for Renoir, Van Gogh and dozens of lesser artists began to look freakish in the light of the ensuing failures. The market's meteoric rise since 1988 made it certain that there would be a setback at the highest level before long. For some sectors the trouble began in the spring of last year; for others in the summer, but for many it never came at all.

Several real factors and fears of worse to come forced the art market to recognise that it was overheating both in itself and in relation to other markets. Fears of a weaker dollar and signs of widening economic recession were confirmed in the summer of 1990. Then too there were high interest rates, fears of war in the Middle East and higher oil prices. The fall in world stock markets triggered by Iraq's invasion of Kuwait in August only made matters worse, and already the weakening of Japanese property prices had removed a critical slice of demand for Impressionist and Modern paintings.

Meanwhile, more and more paintings were coming forward from long-term owners keen to cash in while the market was on the boil. Yet more came from recent, speculative buyers – often people with a trading background – who had seen friends jump successfully in and out of the market.

Worse still was the upsurge in the offerings at auction of stale pictures that dealers had been unable to shift. Regulars on the auction circuit had the new sensation of *souvent vu*. Collectors responded by sitting on their hands, much as fund managers will watch a sliding equity market, preferring to wait for the market to move upward rather than judge when the index had hit bottom.

Among the weakest performances over the period were two of the four indexes of American painting. The 19th century American school peaked in 1988 with a rise of 660 per cent over its 1975 level; for each of the last two years it has dropped by 10 per cent, making a rise of just 510 per cent since 1975.

The American Impressionists surged ahead by 220 per cent in the three years to 1989, reflecting the art world's obsession with their French counterparts. But there too, American buyers held off last season, bringing that index back 20 per cent to give a rise since 1975 of 1,670 per cent.

American painting of the 1910-1940 period managed a 34 per cent rise, mainly on the strength of Marsden Hartley and Thomas Hart Benton, while post-war American art – the only period of American painting in international demand, referred to here as the New York School but including a mixed bag of Abstract Expressionists, Op and Pop artists – produced a 48 per cent rise on top of a volume rise of 23 per cent.

Among French schools, the Barbizon artists consolidated their recent gains with a 15 per cent rise, making 690 per cent since 1975. The French Impressionists still show the greatest gain of any group with a 2,200 per cent gain since 1975, though they edged up just 6 per cent last year on unchanged volume. Monet was the only French Impressionist to decline, with a fall of 20 per cent. A total of 30 per cent more Monets were sold than last year, but the market could only absorb these at lower prices.

The School of Paris produced an impressive 67 per cent rise last year alone. The group includes household names such as Chagall, Picasso, Utrillo, Braque and Bonnard. The market for Picasso was especially buoyant with 248 works selling at an average of £260,000 – up 50 per cent over last year. Even more remarkable, given that many Japanese buyers had pulled out, was the 200 per cent gain for Marie Laurencin to give an overall rise of 2,300 per cent since 1975.

The Surrealists managed a 25 per cent gain on 1989 with Paul Klee up 50 per cent to an average of £120,000; 70 de Chiricos were sold (compared with 47 last season) at prices averaging 86 per cent higher than last year. The German Expressionist index was up 22 per cent to give a rise of 870 per cent since 1975.

Among British schools, 18th-century portraits and sporting paintings both dropped 15 per cent. 19th-century watercolours marked time at 900 per cent above their 1975 level; Victorian painting was also steady at 640 per cent up and 20th-century painting, as measured by traditionalist artists such as Munnings, Seago, Dawson and Flint, was basically unchanged at 620 per cent above 1975.

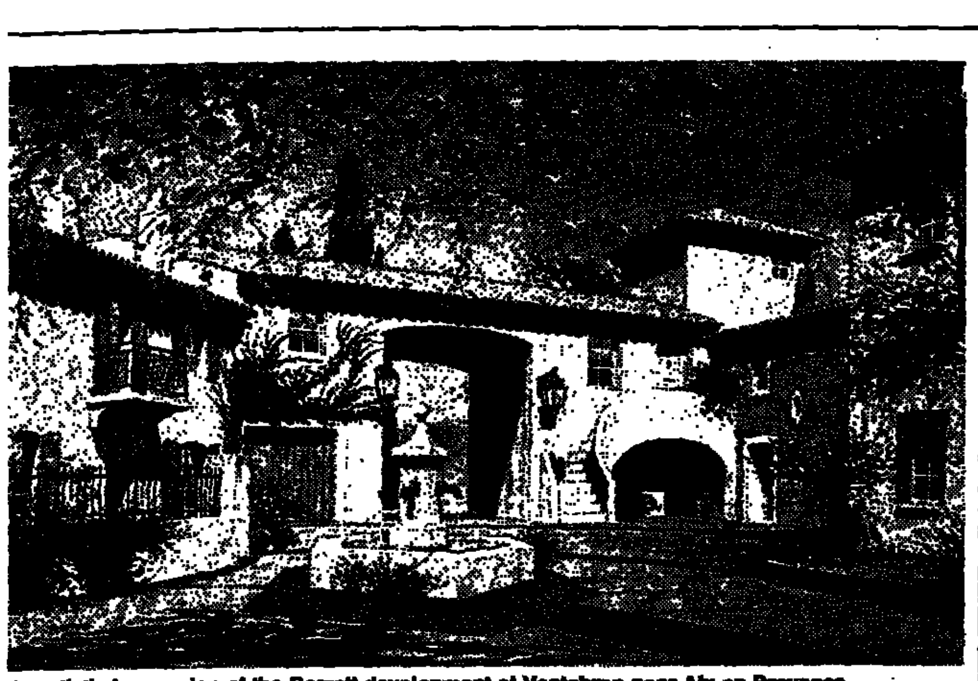
If unsold lots were hypothetically included in the index at prices they might have sold at without reserve, the overall change in the index over the year would probably emerge at between unchanged and down 5 per cent – not quite the catastrophe that has been reported. Interesting as it might be, the exercise would have no more statistical validity than calculating a house price index after including guesses as to what all unsold houses for sale might fetch if auctioned without reserve.

Many sectors – Old Master paintings and drawings in particular – have been notably strong since the start of the year. Moreover, the share prices of Sotheby's and Christie's have been signalling that the worst is over for three months now. The salerooms now see the sharp rise and fall of top-priced Impressionist and Modern paintings in 1988/89 as an unwelcome aberration. Until 1988 a steady growth pattern had been achieved and this, they expect, will now be resumed.

■ Statistical method: The 1975 base figure for each artist is the average price of the central 80 per cent of paintings and water-colours by that artist actually sold at auction in in the 1973/4, 1974/5 and 1975/6 seasons, as reported in the *Art Sales Index*, edited and published by Richard Hislop.

As with a house price index or stock market index, the art indexes take into account only actual transactions. Paintings which fail to reach their reserve – the level at which owners are willing to sell – are excluded.

PROPERTY



An artist's impression of the Barratt development at Ventabren near Aix-en-Provence

Barratt focuses on 'local' buyers

Audrey Powell reports on the French market

IT IS A sign of the times: Barrett, a British house builder, is now building "holiday" homes in France with the aim of selling them to French rather than British buyers.

Recession and the Gulf War has slowed the flood of British buyers to a trickle, and Barrett, based in Newcastle-upon-Tyne, is now pitching its sights firmly at the locals. Its brochures are now produced in French as well as English and staff at its show homes and site offices are bilingual. Representatives of Barratt France, that part of the group that is working across the Channel, say they regard themselves as a French company.

Even so, it is an oddly schizophrenic exercise – the exteriors of the properties are determinedly French but the interiors are equally firmly in the English style.

Barratt got off to a slow start last year with its entry into France. What was to have been its first project – a joint venture of apartments near Antibes – ran into planning delays. The company then began work on the 16-home hamlet it is building on a former vineyard at Ventabren, near Aix-en-Provence in southern France. That project was delayed by recession and the Gulf War but things are now moving ahead, with a number of properties finished and priced from £150,000 and a show house open.

The company has started on an eight acre hillside scheme close to the old part of Cagnes sur Mer, ten minutes from Nice airport, which will include a mix of 42 homes in sizeable plots, looking towards the Mediterranean. They will sell from about £200,000 with the first ready for occupation next year.

Barratt is also working on a development of 25 family-type properties, priced from about £150,000, in the newer part of Cagnes sur Mer and a group of 40 apartments in the centre of the market town of Salon, between Aix and Avignon. These will sell from between £50,000 to £80,000.

The French are clearly interested, or at least curious. Barrett received 200 enquiries from local people when it started the Cagnes project, and its first sales, two at Ventabren and one at Cagnes, were to people living in the area.

But why should a British company think it can build homes in France, seemingly for the French, better than French builders? Barratt staff would say that they are offering something different. At Ventabren, for instance, while outwardly the properties are traditionally Provençal, the interiors have lighter colour schemes than many French houses. There are more sophisticated bathrooms. Buyers get a choice of Laura Ashley wallpapers, bedroom curtains and carpets. Fully-fitted kitchens are offered (if purchasers don't want the equipment, they get an allowance).

Surprisingly, the usual leisure facilities are largely absent. One might have expected a communal swimming pool and sports facilities on the Cagnes site, but these are not planned. Gardens are big enough for purchasers to put in their own pools, Barratt says.

■ Information from Barratt France at Aix, tel: 010 33 42 38 02 78, or Barratt Developments in Newcastle, tel: 091-286-6811.

Facelift for an antique

IT IS easy to think of leisure development along the Algarve coast of Portugal as recent, but some projects are long-established. One of the oldest, although still offering new properties from time to time, is Prainha, near Portimao, which was started more than 20 years ago.

It is different from most such estates, perhaps because the clifftop swimming pool, with the undulating brick-coloured paving which surrounds it, seems to be in the middle of a meadow rather than framed by white concrete or tiles. The white houses set within their high patio walls and blue wrought-iron gates along winding paths, have a feeling of seclusion.

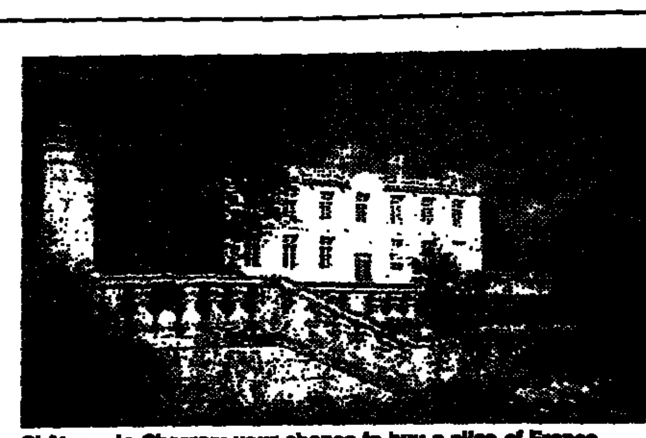
So what is there for possible buyers who come in at this stage? Quite a lot, it seems, since the development is undergoing one of its periodic bursts of building activity. Luis Fernandes, who is acting as administrator, is aiming to bring new life to the estate. There are 65 apartments and 30 white villas with patios at either end available at £60,000 to £150,000. (Agents in the UK are Galitza & company, Newbury, Berks. Tel: 0672-20910).

In addition to the restaurants, bars, tennis courts and supermarket on the estate, a 40-bedroom hotel is planned, overlooking a lake.

But ahead of that, now half-built, is a block that will provide more apartments for sale, on an aparthotel basis. Buyers can lease them back to the company at a guaranteed figure for an agreed period. They can use them for a month each year themselves and for the rest of the time the units will be let as hotel accommodation.

Also for the future a few villas with their own pools, a little away from the main development, are planned. They will be about £500,000 each. Bearing in mind the original prices at Prainha of around £5,000 a villa, it would take a brave forecaster to estimate what these might be worth in 20 years.

A P



Château de Charras: your chance to buy a slice of France

A château in rural France

IF YOU are seeking a sizeable property in rural France it will not be long before you are pointed towards a *château*. The buildings which answer that description come in various ages and styles, manageable or vast, ruined or restored, at prices that differ with the region, their condition and the optimism of the owner.

While a *château* address may sound rather nice, the cost of a fully restored example, or of salvaging a deteriorating building, might not be so appealing, particularly if the place is only to be used as a second home.

An alternative might be to buy part of such a building that someone else had rescued. You would get the benefit of its historic associations and setting, without the slog of renovating and the responsibility for the upkeep of all the property and land.

Two Britons, Peter Smith and Steven Clarke, both in their early 30s, have formed a company in France, called Maisons Belles Epoques, to renovate and convert *châteaux* into units of different sizes for sale.

They decided on the Charente region, where prices are generally reasonable, for their first venture. And they spent a lot of time looking for what they felt would be the right choice – an estate where the structure of the main house was sound and where there were a number of substantial separate buildings. The property also needed to be close to a village.

They settled on Château de Charras, near Angoulême, built in 18th century style, in 15 acres of park and woodland. Planning permission was obtained, finance arranged through Credit Agricole, a French architect and building team were engaged and work began on clearing the site last November.

The *chateau* is not large and its tall windows and stone central stairway would make it difficult to split into small units so it is to become four one-bedroom apartments.

The hunting lodge becomes a pair of houses, with two and three bedrooms. The orangery makes three houses. Another building will divide into six apartments and one house. In all, there will be 23 units of which the favourite could prove to be the tower, a medieval building with fortifications, which the architect is turning into a detached house on several floors with a private garden.

Prices are from £36,000 for a one-bedroom apartment to £99,500 for the tower. Maintenance charges will cost £600 to £1,000 a year.

Early applicants receive a 3 per cent discount on properties bought from plan and the opportunity to have interiors designed to suit their wishes.

Tennis courts and a swimming pool, with a smaller tower converted to changing rooms, will form a leisure section within an existing walled area. There will be a games room and a children's corner.

The *château* has a colourful history. The original house was built in the 15th century and the property's early ownership is well-documented.

In the 17th century it was rebuilt 660 ft to the east, presumably to get a better view, and over the years it suffered its share of fires and restorations. At some time an underground tunnel, assumed to have been used during the Revolution, was dug, but that has been filled in.

In the 1950s the *château* was owned by a German banker, who carried out extensive renovations. Subsequently it fell into disrepair. Maisons Belles Epoques took over and, under the watchful eye of a conservation body, the company is retaining all the ancient features that it can. Fireplaces with massive stone surrounds, typical of the region, remain, as do murals found in one apartment. One room has an intricate stone mosaic floor.

The overgrown gardens will be tamed and their original points of interest revived. Balustrades will be restored, as will the decorative pool and fountain, and the waterfall.

There is much to do. The company hopes to have some units ready this year and – perhaps optimistically – to have it all finished by spring.

A show apartment is open. Its sitting room has a tiled floor, exposed-stone walls and a vaulted ceiling lit by mellow side-lighting. The vast stone fireplace is purely decorative, as there is central heating.

The company plans to use this château as its flagship. Units are priced competitively, the company says, to start the ball rolling. London agents are Rutherfords 071-351-4454.

A P

Majorcan hilltop villa for £1.8m

YOU MIGHT think that building a house to sell for £1.8m "on spec" was a little rash in these uncertain times. But work has begun on Burguesa, an 8,700 sq ft seven-bedroom villa set 1,000 ft above sea level on a hilltop in Majorca.

It is of a two-storey design around an internal square and the shell of the structure should be ready by September. There will be covered terraces on one side and a tower at one corner. With its three-car garage and swimming pool, the property will stand in 30 acres bordering protected woodland.

The house will have views across Palma, the island's capital, six miles away, and out over the Mediterranean. The 20 minute journey to the international airport will be shortened when the ring road around Palma is completed next year.

It is being built and offered by Urbanizadora Calvia, the developers of Bendinat estate at Illetas on the outskirts of Palma, although is not part of that complex. The Bendinat estate is a long-term project being developed in stages on 850 acres sloping down to the water. Work began seven years ago and is to continue for another ten, by which time some 1,000 properties will have been built.

First to be built was the beachside Anchorage Club, with its swimming pool and restaurant. Here there are several rows of colour-washed apartments built to look like terraces of period houses. A few apartments remain in the final phase, priced from £162,000 to £200,000. There are also about 20 resales available through the Anchorage Estates office at from £110,000 to £440,000.

Another section of the estate comprises the nine-hole golf course designed by Fred Hawtree. Here there are golf apartments with swimming pools and clubhouse: a few apartments remain at £85,000 to £181,000.

Details: Bendinat, in Majorca, tel: 71 40 50 00 or, London 071-589-4567.

Work is shortly starting on a further area of the estate which is being designed by French architect François Spoerry, of Port Grimaud fame, who was responsible for the Anchorage village section of Bendinat.

He says the architectural style of the new sector will be similar – he regards the Majorcan type of architecture as "very special" and the most elaborate of any around the Mediterranean. He plans shops surrounding small squares and villas and town houses in hamlets interspersed with unbuilt areas. The scheme will be low-density.

A P

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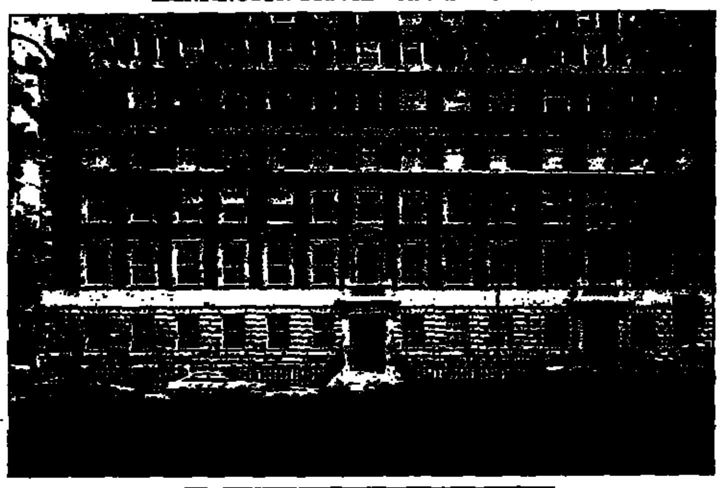

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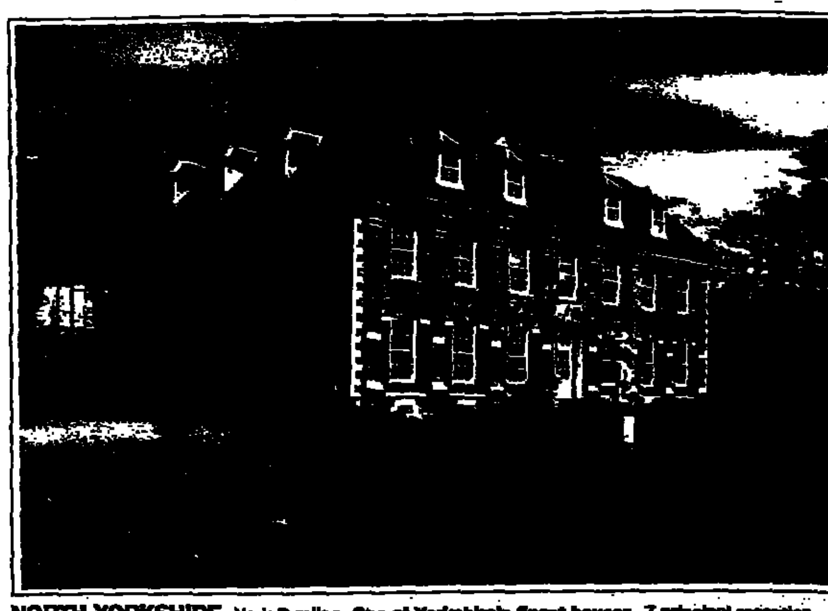

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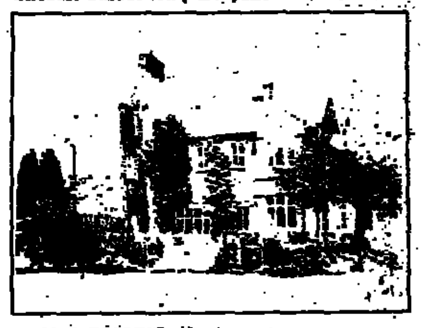

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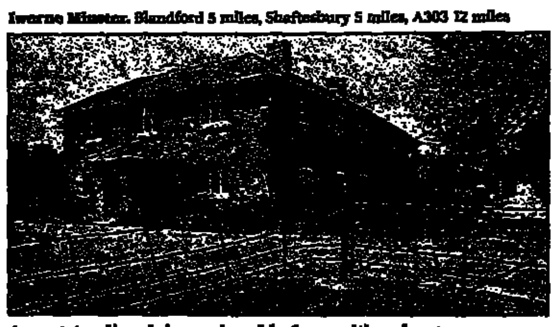

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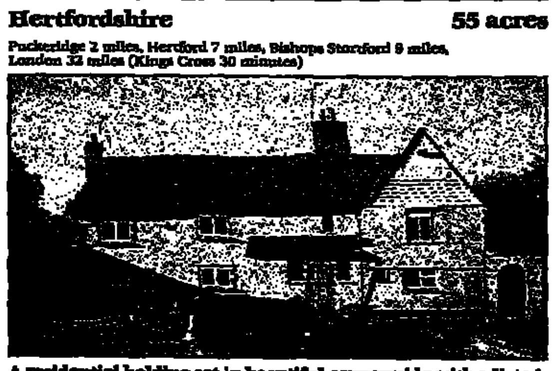

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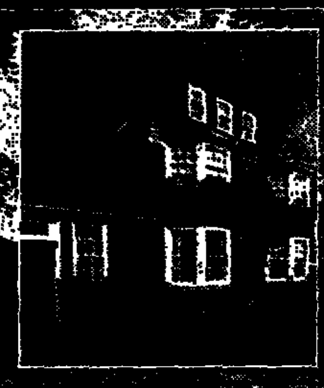

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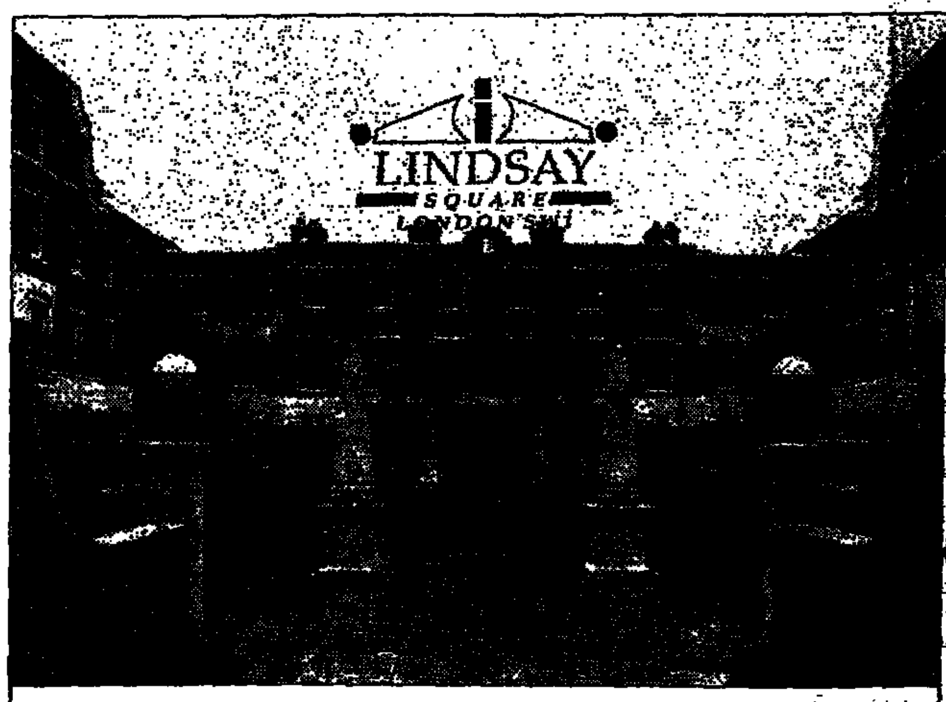

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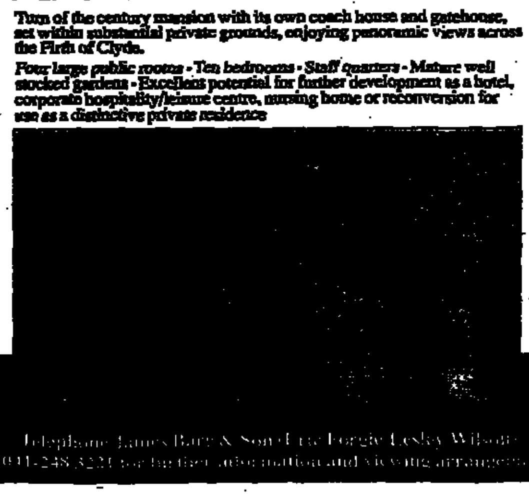

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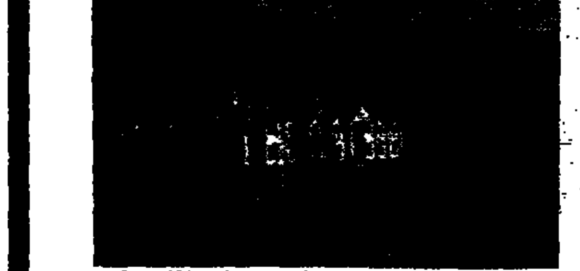

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PERSPECTIVES

Private Passions

Steel nerves on iron paths

I WAS dangling above an abyss, clutching a clammy steel cable which drooped limply across the overhanging cliff. The clouds were somewhere below my feet and my feet were feeling for footholds. It felt very serious. Going back would have been more daunting than going on, so in a burst of unthinking energy I lurched across the void and reached the safety of a ledge.

This experience – somewhere up a Dolomite in Northern Italy – was quintessential *via ferrata*. For anyone wanting an adventurous, energetic holiday, far above the ground, this mode of ascent is much recommended. It allows the serious walker to visit the sort of vertical terrain which is normally the preserve of proper mountaineers – up the sheer limestone cliffs to the fantastical turrets and spires so characteristic of the Dolomites.

Three quarters of a century ago, the Dolomites were at the heart of the disputed frontier between Italy and the Austro-Hungarian Empire. During the First World War, the Italian *Alpini* and the Austrian *Alpenjäger* fought ferocious but inconclusive battles in the valleys around Cortina – now a fashionable ski-resort. They left behind gun emplacements, barracks, ruined trenches and pieces of shrapnel, barbed wire, even old old boots.

The soldiers also left *via ferrate* – literally, iron pathways – which helped them get about the mountains and set up mortar positions above the enemy lines below. After the war these were developed as sporting routes and extended by mountain guides. Today hundreds of *ferrate* are to be found throughout the Dolomite region.

A *via ferrata* differs from an ordinary walk or scramble in that steep sections are climbed by means of either ladders or steel ropes fixed to the rock. Some provide little more than a handrail up scrambling peaks, others follow the line of serious climbing routes up sheer faces, through overhangs and up to the top of big mountains.

The latter ought to be avoided by those who are not competent rock-climbers, but there is plenty of choice among the easier routes for the fit walker with a head for heights and a taste for adventure. I had some rock-climbing experience and that proved helpful on the steeper sections, but the main requirements are fearlessness and a head for heights.

All you need is standard hill-walking wear, plus helmet, climber's harness, two long slings and three carabiners. You attach both slings to your waist at one end and to the steel cable at the other. Thus you are protected should you fall. If you do slip, it would be painful, but you are unlikely to plunge far as the steel cable is fixed to the rock at intervals of ten feet or so.

It is quite natural to worry that the cable will detach itself from the rock when you are hanging on to it. I managed to dismiss this fear quite successfully: the cables are cemented and bolted into the rock and the whole system of *ferrate* checked and overhauled every year.

A typical expedition will last between two and eight hours from start to finish: the one we had in mind took a full day. Looking up at our objective – the 3,225m Tofana di Mezzo – the face looked vertical and featureless, but the guide-book implied that it was easy-angled, and so it was to prove, with one or two exciting moments.

The *via ferrata* of our choice used a total of 1,600m of wire rope. It started up a tunnel built by the *Alpini*, 800m long and pitch dark. After an hour of ladder-climbing we burst out into the open, above what in German is known as the *Shreckensteinscharte* – Terror-Stone Pass.

There were no stones falling and we felt considerably less nervous than when looking up to this spot the day before. The wire led round an exposed corner, and then to a path so safe it would not have been out of place in the Lake District. The ledge was at least 50m across – there was little danger of falling off.

We strolled along, admiring the view, before arriving at the first of two steep sections. The footholds were good, the face far from vertical, and all you had to do was haul on the clammy wire rope to arrive at a rock balcony.

After two steep sections of 100m apiece, the route eased off. We followed an exposed path around to the other side of the mountain, opting to miss the final section, described in the guidebook as "tiring and problematical." We reached the top in the early afternoon by means of a conventional slog.

The experience is made that much more civilised because after a day's exertion you can spend the night in a warm mountain-hut. The word hut belittles these establishments: they are situated thousands of metres above the valley floor and well provisioned with beers, wines, grappa and plentiful local food, which in this case means a choice of Teutonic sausages or Italian cutlets or pasta, followed by the ubiquitous *Apfelstrudel*. Each hut is tended by a guardian who has in all probability been there every summer for decades.

They vary from the palatial stone-built variety to wood-tiled shacks. All are expensive: between £20 and £40 per person per day, rising as one gets higher, or nearer to centres of civilisation.

Above the snow line: David Waller near the peak of Tofana di Mezzo

There are few Britons. Those who climb *ferrate* will find stupendous scenery and real adventure, but here is a word of advice: leave kagoules, red socks and Barbour jackets at home. The Italians and Austrians treat an expedition on a *via ferrata* as a high-fashion excursion; even in the trickiest situations they look immaculate, trailing clouds of expensive scent as they haul themselves up the ladders. The typical British walker is slovenly and malodorous by comparison.

■ *The Dolomites can be reached by train from Munich or northern Italian cities. The best guidebook is: Via Ferrata: Scrambles in the Dolomites, translated by Cecil Davies and published by Cicerone Press. The best time to go is June to September.*

David Waller

Painting the town red – Leningrad style

In pursuit of a good time, ***Jack Chisholm*** *and friends battle bouncers, police, car thieves and drunks*

GABRIELLE, a glamorous French student studying Russian in Leningrad, was due to return to Paris so we met early one Friday evening for a goodbye party.

The bar at the foreign student's hostel is a typical example of the duality of Soviet society. It sells small plates of fish, coffee or Armenian brandy for roubles; everything else – European wine, gin, whisky and beer – is for hard currency only, even Soviet "champagne", $8 a bottle at the bar, $1 in the street.

We chose the fizz, a high-velocity consignment which flooded our tablecloth. Bar staff proffered scarcely-available paper towels to mop up, snapped up by the students for lavatory paper, otherwise unavailable. Lynnley, a Texan post-graduate, arrived with Igor, her Georgian boyfriend, an up and coming painter, and we sat around waiting for Max and Valera, who had booked a table at a pizza restaurant and were running late.

The boys turned up two hours late, as the pizza place was closing, full of apologies. Their car had been burgled and three of the windows removed. (Soviet car thieves remove scarce parts and anything portable, rather than the vehicles themselves). Max and Valera are "businessmen", which is not a term of approbation in the USSR, but even their extensive contact network had taken a long time to locate under-the-counter windows. They ordered kebab and coffee and we discussed how to reach the disco where Gabrielle and Australian boyfriend Andrew wanted to dance the night away.

A drunk Russian professor thrust a new Japanese camera into my hands. "You're a photographer and I do not have any instructions. Show me how it works. Now!" It would have to wait, I said. Andrew, Gabrielle, the two boys and two other American students would meet us at Nevski Melodia. Igor, Lynnley, another Georgian and I went down to the street where he had parked, pursued by the professor. I climbed in and shut the door as the drunk hammered on the window: "Come out and help me. I know who you are. You are in counter-intelligence." What? Whose? And why counter-intelligence? People usually just say I am a spy.

Igor, new driving licence in his pocket, drank nothing. He drove smoothly, carefully crossing the Neva and parking away from the taxi drivers resolving some minor dispute with their fists.

"You cannot come in like that," said the cloakroom attendant after we had paid $10 entrance fees. "Check your jacket." I do not carry a bag; the jacket contained wallet, passport, driving licence, cigarette lighter, pens, notebook and money and it would be cold near the air conditioning. The manager was called; a paunchy, lugubrious Swede who addressed me in the offensive tones Russians use when people try to jump the vodka queue.

I explained again why I needed to keep the jacket adding, evidently a mistake, that as I was a journalist I might wish to write something. "Do not write anything bad about this place," he raged. "I do not like you and I do not like your attitude." I rejoined the others, sitting before a $37 bottle of Lanson and trying to remember that this was supposed to be a place in which to enjoy oneself.

I discussed the contretemps with a Russian employee, who refused to be drawn. "I do not have any opinions and I only obey orders," he insisted with a firmness reminiscent of Nuremburg.

"We have to keep up our standards. This is a night club . . ." "And a disco," I interrupted, "which is why some of your Swedish customers are bopping in their braces. And I suppose the standards do not apply to the wall to wall prostitutes?" The Russian affected outrage. "I suppose the $100 'fees' proposed by several young ladies are voluntary contributions to their old age pensions?" I asked. He refused to be drawn and I moved on to say hello to a German security man and "X", who received a huge dose of radiation at Chernobyl and now awaits the inevitable.

Rhett, a black New Yorker, had arrived with Miranda and the others. Her ethnic origins confuse me: Iraqi, Jewish, Hispanic, Canadian – I will just settle for American. Rhett had left his camera in a taxi and found it hard to accept he would never see it again. Lynnley and the Georgians left after the floor show, topless girls grinding our standard routines under the glazed eyes of bored punters.

I sat on the sidelines, drinking $3.50 beer, watching my friends dancing exuberantly and the Swede groping an unresisting Russian girl. Working ladies resist the power of western capital at their peril, at least if they wish to continue working.

Outside, we avoided the hard currency taxis and climbed into the Zhighuli with Max and Valera, leaving in the cloud of tyre smoke beloved by Soviet car owners. This display of motoring macho had not gone unobserved by the GAI (traffic police), who pulled us over just down the road.

Max had to sit in the back of the police car for a breath test. I had only seen him drink two glasses of wine over many hours but the breathalyser registered; bad news in a country where the permissible alcohol level is zero. He declined to say what had transpired but I noticed his well-stuffed pocketbook was noticeably thinner when he returned to the car.

The boys took us home, driving quicker than ever. I do not know quite how fast because the speedometer did not work. And so the evening ended – or almost. The authorities made a mistake and sent me two monthly ration cards, which means I can buy four bottles of vodka at the state price instead of two. I should give one of them back but I will not. Perhaps I am becoming corrupted, too?

Oh, and Gabrielle did not make it. There was a dispute over her baggage at Leningrad's Pulkovo international airport and by the time it was resolved her flight had left.

PERSPECTIVES

Tot that fortified the Navy's spirit

***Roger Paine** recalls the rum ration which ended 21 years ago*

RUM HAS a long association with the sea and sailors, especially those in the Royal Navy who, until 21 years ago, used to get a daily ration. This tradition ended on July 3, 1970 – Black Tot Day – when the *Portsmouth Evening News* recorded that "sailors in ships and establishments in the area . . . said farewell to the last issue of Nelson's Blood by conducting mock funerals and wearing black armbands."

The rum issue sprang directly from what a 17th century sea captain called, the "stinking" quality of beer on board ship, and the difficulties of obtaining and keeping fresh water. In spite of improvements in administration and victualling instigated by the Admiralty Secretary, Samuel Pepys, there were no overseas bases; and with British and French expansion in the Americas and West Indies, it became common for ships visiting the islands to stock up on the cheap local brew.

On February 14, 1727, the captain of HMS Greyhound in Port Royal, Jamaica, bemoaned the lethargy of his crew in building a jetty and wrote: "If anything can make it (life) agreeable to them, it may be a double allowance of rum being joined to what extra pay may be thought proper."

As the crewmen were already receiving half a pint of rum each per day as an alternative to beer, the skipper's recommendation implied that his men should have a pint of rum per day to make them work harder!

With more ships visiting the West Indies, the first official approval to issue rum every day was given in 1731. By the end of that decade, although still confined largely to British ships in the Caribbean, the practice had become widespread. The rum was drunk undiluted and this inevitably led to many accidents at sea as well as much drunkenness in harbour. The press-ganged crews were not allowed shore leave but this did not stop them smuggling rum on board in coconuts, drained of their milk.

Vice Admiral Edward Vernon, Commander in Chief of the West Indies Station, was appalled at the drunkenness in his fleet. In 1740, he ordered: "Whereas the pernicious custom of the seamen drinking their allowance of rum in drams, and often at once, is attended by many fatal effects to their morals as well as their health, the daily issue of half a pint is to be diluted with a quart of water to be mixed in one scuttle-butt . . . in the presence of the Lieutenant of the Watch."

This mixture immediately became known as "grog," a term derived from the Admiral's nickname of "Old Grogram" because he wore a grogram – a waterproof boat cloak. The issue was permitted twice a day, at noon and sunset. As a result drunkenness became less prevalent.

Grog-drinking spread as more ships from the West Indies were diverted off-station or arrived back in England with full casks of rum in in their holds. But it took another 40 years for the Admiralty to accept, reluctantly, that rum was in the navy to stay. In 1784, James Man, a cooper and merchant dealing in a variety of imported goods from the West Indies was appointed as official rum-broker. The spirit was shipped directly to bonded warehouses, where it was bought by the Navy's victualling department and stored at the yards being built at Gosport and Devonport. The raw rum was specified as 40 per cent over proof and the company, today known as E D and F Man, continued to supply rum to the Navy until the final issue nearly 200 years later.

Grog in its original form continued to be issued twice daily. But in 1824, Admiral Lord Keith, still concerned with drunkenness in the fleet, recommended the issue be reduced to a gill of rum, mixed with two equal parts of water, given once a day "to every victualled member of the Ship's Company over the age of 20 years and not temperant." A gill – equal then to a quarter of a pint – of navy rum was equivalent in strength to four double whiskies today.

In 1850, the ration was cut to half a gill, which continued to be issued until 1969. Then, senior service officers and a campaigning parliamentary lobby, recognising the increased complexity of ships and naval warfare, recommended that the issue of grog to sailors and neat spirit to chief petty officers and petty officers should be ended.

The unenviable task of informing the Royal Navy of this decision fell to the First Sea Lord, Admiral of the Fleet Sir Michael Le Fanu. He signalled the fleet: "Most farewell messages try to tear-jerk the tear from the eye, But I say to you lot, Very sad about tot, And thank you, good luck and goodbye."

The Board of the Admiralty in a remarkable act of foresight and entrepreneurial flair, not normally associated with crusty admirals in Whitehall, sanctioned the sale of the special blending formula (which had for so long had been a secret), together with the distillery in Tortola in the British Virgin Islands, to an American millionaire businessman, and former US marine, Charles Tobias.

In partnership with the E D and F Man, Tobias markets the product world-wide as "Pussers". "Pusser" is, in naval jargon, a corruption of the word purser that had come to mean anything official.

The rum ration had sacrosanct traditions and special language. Sailors were expected to remove their headgear in respect to the monarch when receiving their ration from the tub on which was emblazoned, in brass letters, "The Queen God Bless Her ".

The issue was supervised by the officer of the day, and a petty officer, assisted by the "tanky", (a seasoned tar whose name derived from the days when the sailing master's assistant looked after the fresh water tanks) and the "Jack Dusty" (so called after his early storekeeping duties in the dusty bread room), whose job was to account for the rum and take care of the copper measures and lipped jugs.

The issue was collected by sailors in receptacles known as "fannies" – reputedly named after a young woman, Fanny Adams, murdered in Deptford victualling yard in the nineteenth century. Her remains were said to have been mixed with the preserved mutton then issued to the fleet in large round tins. Officers never received rum, except on the occasion of "splice the mainbrace" when an extra tot was issued to every person serving on board in recognition of a special event. In sailing ship days the rating who had the daunting task of splicing the main brace when it parted in stormy weather received an extra tot of rum.

The tot had its own vocabulary. "Neaters" was the neat rum issued to senior ratings, "Queen's" was anything left over after the issue – so called as belonging to the Queen – or alternatively "Plushers" and traditionally passed around those present at the time. "Sippers" was a small, polite sip from a friend's issue and "Gulpers" a good swallow, probably in return for a favour or a duty carried out on a friend's behalf, for rum was a form of shipboard currency. "Sandy Bottoms" was the invitation to drink whatever was left in a shipmate's mug.

Groggy memories: sailors queue up with their "fannies" their rum rations at the Royal Navy Barracks in Portsmouth in 1933

Despatches/**Robert Thomson**

Eastern flesh trade on the ropes

UNDER A small Shinto shrine, and slightly out-of-sync with the rhythm of a thumping disco beat, Yuri Aribachakov pounds the heavy bag at Kyoei Gym. On the floor nearby, Rouslam Taramov is lifting weights, and their trainer, Alexandre Zimime, is using an interpreter to pass on advice to a young, unscarred Japanese boxer.

Aribachakov and his fellow Soviet citizens are blunt. There is no side-stepping. They have come to Japan for the money and the glory, for the prospect of the Big Pay Day that will follow a Japanese-sponsored world title fight. They have served the motherland by winning European and Olympic gold medals, and now their fists have entered the free market.

The Japanese interest was also straightforward. With perestroika has come professional boxing, and Masaki Kanehira, Kyoei's chairman, paid Soviet sporting authorities an undisclosed amount for the rights to manage some of the country's leading fighters. Frustrated by the shortage of local talent, Kanehira reckoned that you could import high quality raw materials from Moscow and take a fair slice of the value-added on the way to a world title.

But what should have been a simple transaction has become rather complicated. The Japanese gym complains that having been fêted as heroes of the Soviet state, a few of the boxers stepped into the ring of free enterprise with strange ideas about the relationship between money and effort. They were, says Kanehira, expecting a financial KO in the first round.

Eight boxers were imported just over a year ago, and four, all heavyweights, have gone home. The remaining four have not lost a fight, and all but one of their opponents has been knocked out. Two have won Japanese national titles and three are thought good prospects for world titles.

But the heavyweights were unhappy. Kanehira has a simple explanation for their return: "They weren't hungry. Under the communist system they had been given everything, and they weren't hungry to win."

The Soviet fighters' surprise at the workings of Japanese boxing is understandable. They were lured by the distant vision of Tokyo's bright lights, but found few of the fluorescent globes flickering at the Kyoei gym. The gym is in the basement of a slightly run-down building in the somewhat seedy suburb of Shinjuku. Shoes must be removed at the door, and swapped for plastic sandals.

The gym is cramped, with a practice ring to one side, posters of up-and-coming Japanese fighters on the wall and the usual array of heavy bags, weights and speed balls. There was a warm-up room, but Kanehira turned that into a Brazilian samba club, which is run by a young man from Shanghai. Three shows a night, genuine Brazilian drinks and genuine Brazilian girls in genuinely skimpy leotards.

Above the entrance to the samba club, where you are supposed to keep your shoes on, a small sign politely warns customers in Japanese that "drunkards and gang members are not admitted". If Japanese newspapers and police are to be believed, gangs, or yakuza, take an active interest in boxing, as they also take an active interest in stock trading, property dealing and other sports of the financial kind.

Kanehira says that his gym, "the best gym in Japan and th e home of five world champions", does no business with the gangs: "We have a little joke. We say that there is so little money in boxing that instead of the gangs harassing boxers for protection money, the gangs should be worried about the boxers threatening them."

There is no gambling on fights, he said, though patrons may give a money-filled envelope to a favourite boxer on fight night: "It's a tradition in Japan. It's money for good luck and encouragement."

Such Japanese traditions are new to Aribachakov, whose home is in Siberia and who has signed a three-year contract with Kyoei. Now 24, he won a world amateur flyweight title in 1989, and is the ninth-ranked boxer in his class after seven professional fights. He enjoys Japan and has been astounded by the material wealth.

"There is a contradiction. In the Soviet Union everything was decided for you, but you were part of the team and had to work for the team. In Japan, there is a great supply of material things, but you have to get them for yourself. You can't rely on an organisation."

Kyoei's enthusiasm for imported boxers is causing controversy in Japan. Apart from the Soviets, Kanehira has contracted three Mexicans, a South Korean and a Taiwanese. Some Japanese are annoyed that a Japanese gym should be using foreigners to win national titles instead of cultivating young Japanese fighters. Kanehira, who quit his boxing career early because "I wanted to keep my brains", doesn't much care about the complaints.

"Boxing is an international sport and Japan is becoming more international. We also have a Japanese boxer who is the number two in his class, and our policy is to provide a good environment for all boxers, regardless of their nationality. In countries with a poor a economy, boxers don't make much money. Naturally they want to come to Japan."

Still, Kanehira was disappointed when the heavyweights went home. His "dream" is to manage a heavyweight in a world title fight, but, for reasons of physique, he is unable to find a champion in Japan. He has targeted a young Soviet super-heavyweight likely to represent his country at the Barcelona Olympics next year. Given the boxer, Kanehira has already gone several rounds with the dream.

"It is maybe five years from now. It would be at the Tokyo Dome. There would be 50,000 people in the stands. We would have the Soviet boxer up against the black American champion. We would win."

Hobby Horses/**Nigel Spivey**

Words for dreamers

NATURE has not equipped me with the brassy disposition of an investigative journalist. Accordingly I was grateful when, having ventured a foot into the London Esperanto Centre, a man rose from his desk, shook my hand, and spontaneously told me everything about Esperanto I might ever have wanted to ask.

In retrospect I see that this warm, almost garrulous reception was in tune with with Esperantist ideals of universal goodwill and mutual understanding. The very name "Esperanto" carries the package of hope invested in the language by its creator, a Jewish oculist in Muscovite Poland who, in 1887, issued a textbook prescribing an interlingual means of communication.

He was not a professional philologist. Esperanto was his hobby-horse, and it remains so for the several thousands of people round the world who can be said to have mastered it. Officially there is support from Unesco, and certain radio stations (but none in the UK) give airtime to occasional Esperanto broadcasts. But mostly the enterprise survives on the enthusiasm of small groups, united under the ecumenical structure of the World Esperanto Association, whose president is John Wells, professor of phonetics at University College, London.

I left the Esperanto centre clutching a copy of Dr Jekyll and Mr Hyde in Esperanto *(Doktoro Jekyll kaj Sinjoro Hyde)*. Without one lesson in Esperanto, I can confirm the claims made for the language. It is easy to learn. It is regular. It makes sense. The vocabulary (especially if you know some Latin, or a Romance languages) presents few problems.

If I declared, for example, *mi patro ne estas besto*, I would expect many people unschooled in Esperanto to understand that my father was not an animal. There is no doubt that learning to speak Esperanto takes a fraction of the time and energy required to learn, say, German or English.

Attractively simple as its enthusiasts claim it to be, I am still surprised by Esperanto's survival. After all, you do not have to be a bar-stool patriot to see that English is more or less established as the *lingua franca* – as it happens, an ironic title – of international communication. Few skills are more in demand than those of teaching English as a foreign language (TEFL), especially since the fall of the Iron Curtain; and most English schools remain justifiably complacent about not educating polyglot children.

Yet the Esperantists battle on: a family in Newbury, in Berkshire, is in its third generation of using Esperanto as a first language at home, and Esperantist literature carries the claim, "Esperanto – the only solution." So what is the problem?

A partial answer is "phrasal verbs." These are the blighters of English, as anyone who has ever tried to instruct foreigners will testify. "Bring up," "bring out," "bring down" – you may appreciate the scruples of English usage involved in these verbs.

"Basic English" (which would restrict vocabulary to 850 words) never purged English of the phrasal verb problem; Basic English failed. So too did Lancelot Hogben's "Interglossa" scheme. Yet both Basic English and Interglossa had the same impulse as Esperanto. Interglossa, a means of international scientific discourse, was drafted by Hogben in 1942 during "empty hours of fire-watching in Aberdeen," and Basic English belongs to that League of Nations bonhomie after the First World War – "What makes a nation is a common language. What will make men international will be a common language."

Esperantists can take some pride in the durability of their particular formula for world peace. But the problem to which they claim to have the answer is not merely a plague of diverse tongues. My informant at the London Esperanto centre stoutly asserted its economic benefits. Did I know that 55 per cent of the EC budget goes on translation and related services? I did not. (If true, it does not amaze me. It will be interesting to see how Jacques Delors deals with this one. Single market, single currency: sooner or later, a single language has to come.) Why not Esperanto?

Wells himself has recently produced a dictionary of Welsh Esperanto – which strikes me as a conspicuously virtuous act of disinterested scholarship. The appearance of such a dictionary itself explains why Esperanto, despite its claims, will remain a hobby-horse.

Contradictory or not, our age is one of nationalistic internationalism. The last thing the Welsh, the Catalans and the Flemings want is homogeneity. Apart from the Esperantists, is there anyone who actually wants "de-babelization"?

The London Esperanto Centre: 140 Holland Park Avenue, London W11 4UF. Tel. 071-727-7821

هكذا من الأصل

HOW TO SPEND IT

***Lucia van der Post** finds out why it is bargain time in the rug trade and recommends a visit to a showcase for Britain's best young designers*

Trevor Humphries

David Wilkins, Persian and oriental carpet broker, looking through a bale of Persian carpets in one of the bonded warehouses in London's Kentish Town

Carpets at magic prices

IF YOU have ever longed to own a Persian carpet, if you have any floors that look a little bleak or unloved, now is the time to gather your resources and buy as many Persian rugs as you need or can afford. Buy them for yourself, for your children or for your grandchildren. Experts seem to agree that they are unlikely to be as cheap for a long time to come.

What we are talking about here are new Persian rugs – old and antique ones have generally held their value – but new ones are about half the price they were ten to 15 years ago.

Before the 1979 revolution prices in Iran were rising fast – so fast that many London stores and wholesalers were embarking on enterprising schemes to give customers the Persian look at more reasonable prices. Some were having traditional Persian designs woven in India and others were trying to divert customers' tastes into more economical channels.

After the revolution the supply of new carpets fell sharply. It became an unfashionably wealthy business to be associated with, many factories were closed and skills lost, but gradually, as the Iranian government became more desperate for foreign currency, old factories began to be opened and village skills once more encouraged.

Today, a combination of world recession, the massive devaluation of the Iranian rial, American sanctions and Iran's desperate need for foreign currency has driven prices lower than most people can remember. What this means to you and me is that a rug that cost about £5,000 in 1979 can now be bought for about £2,200.

From bonded warehouses in Kentish Town, London, to specialist dealers such as David Black and The Oriental Rug Gallery and the department stores, the news is the same – if you like Persian rugs and have a need for one, then buy now. American sanctions are unlikely to last much longer and once they are lifted the chances are that prices will rise fast.

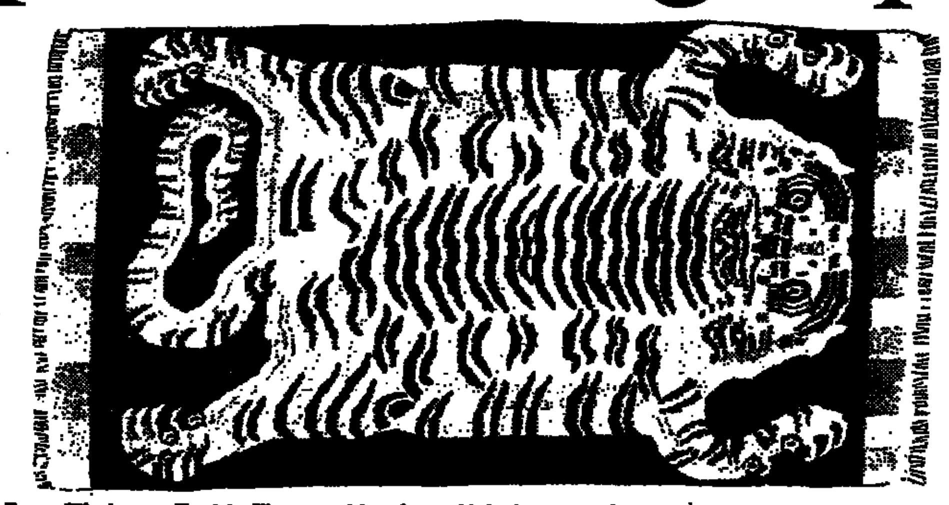
To put the fall in price into perspective it is worth looking at two specific examples – take the price of a fine Isfahan silk fringe rug, about 7ft 6in by 5 ft, or a silk Qum rug, measuring about 7ft by 4 ft 6in. In 1979 each would have cost about 650,000 rials in Iran. The landed wholesale price in the UK would have been about £5,000 and, in the shops, they would have sold for about £10,000. In 1984 the same rugs would have cost 1,300,000 rials in Iran, £4,000 in the bonded warehouses and £8,000 in the shops. By 1988 they would have been 1,700,000 rials and £3,500 in the warehouses, £7,000 in the shops. This year, with inflation raging in Iran and the rial devalued by 2,000%, the same quality of rug would cost 3m rials but just £2,200 in the UK's bonded warehouses and about £4,400 in the shops.

To put against the fall in price it has to be said that the quality of the finest rugs, the Isfahans and the silk Qums, is not quite what it was – although the skills and the designs are the same as ever the lack of foreign exchange means that they have to use home-grown wool, silks and dyes instead of the finest imported versions.

When it comes to village rugs, which many people prefer as they have great vitality and individuality and are extremely hard-wearing, there is almost no detectable falling-off in quality for they always were made with local wools and dyes. Today, they represent remarkable value – you could buy a 6ft by 4ft handmade village rug from Hamadan for about £350 in the shops.

As Persian carpets have always been the benchmark for quality in the oriental rug world, the sharp fall in price has affected the rest of the market. For instance, anybody who has a penchant for Chinese carpets should buy now.

If you decide that it is a good moment to buy some new Persian rugs, where do you go? Undoubtedly the way to pay the lowest prices is to go to one of the brokers who has access to the bonded warehouses. Here the broker pays the wholesale price and, because he has low overheads he sells the rug on to you at a price that is much lower than you would have to pay in a retail store.



From Tibet – a Tantric Tiger on blue from Alain Rouveure's galleries

Besides the advantage of price, a good broker will not only know all the dealers, he will also know his rugs.

Good stores such as John Lewis, Harrods, House of Fraser, Liberty's and Harvey Nichols all have a high reputation for honesty – nearly everybody is agreed that if they say a rug is Persian it is. but the price you pay for this security is quite high. Also, there is usually a limited choice.

Prices in the stores may be higher than in the bonded warehouses but they, too, have fallen – at Liberty's, for instance, a Heriz carpet from north west Iran, measuring some 3¼ by 2¼ metres which would have sold for about £4,000 ten years ago is now between £2,250 and £2,500. At John Lewis and House of Fraser a great deal of price-cutting seems to be going on and you can get a good quality new Persian rugs, measuring about 6 ft by 4 ft for about £350.

Outside of the stores and the good brokers, the world of rugs is a minefield. Tales full of Byzantine intrigue, trickery and betrayal abound.

Beware the fly-by-night operations – whenever you see closing down sales advertised be very alert. Some never close. Others put high mythical original prices on the price tags and then mark them down by big amounts.

A respected dealer who operates in the bonded warehouses tells me that many of those who advertise on hoardings and in the press borrow merchandise from the warehouses for 'weekend auction' on a Friday and return unsold stock on the Monday.

ADDRESSES:

David Wilkins, 27 Princess Road, Regents Park, London NW1 8 JR. Tel: 071-722-7608. A Persian and Oriental Carpet Broker who knows the bonded warehouses like his own backyard. Besides guiding customers through the stock or tracking down specific rugs he will also value and organise repairs.

David Black Oriental Carpets, 96 Portland road, London W11. Tel: 071-727-2566.

Oriental Rug Gallery, 42 Verulam Road, St Albans, Hertfordshire. Tel: 0727-41046.

Christopher Farr, 115 Regents Park Road, London NW1. Tel: 071-586-9684.

■ In the depths of Gloucestershire some of the finest Tibetan rugs in the world can be found. Alain Rouveure, who owns Crossing Cottage Galleries, has made it his business to keep the old skills of rug-making alive and well in some of the Tibetan communities that fled to Nepal in the early 1960s after the Chinese invasion.

"So many of the families were refugees who had to produce rugs quickly to earn enough money to survive and they often had to adapt their designs to please Western tastes but I was not interested in that – I wanted authentic Tibetan designs made from handspun Tibetan sheep wool, with natural vegetable dyes.

"Tibetan sheep wool is the finest wool in the world, it takes the natural dyes beautifully and the rugs will last longer than any of us. I have about 30 families who work for me and I pay them in advance and give them traditional designs, sometimes derived from old records, from monasteries or from old pattern-books, which I ask then to follow faithfully.

"I want to keep the tradition going and make sure the skills and designs don't get lost."

The results are gloriously authentic rugs, of different designs and sizes – each rug is labelled with the details of the dyes used (walnut, rhubarb, indigo) and all are hand-knotted. Patterns range from tigers to geometrics or giant roses and vary in price from £150 to £2,500. Alain Rouveure has some 200 different designs that can be produced and, at any given time, the galleries carry about 60 of them.

The rugs are at Crossing Cottage Galleries, Todenham, near Moreton-in-Marsh, Gloucestershire. GL56 9NU.

End-of-term talent spots

IT IS THAT time of year again; out of design and art schools comes a new generation of young designers, filled with fresh ideas and eager for work.

In the bad old days, one used to tremble for them, wondering whether all that exuberant talent would ever get a chance to blossom. These days, times may be hard and business in dire straits, but at least their work gets an airing.

Nowadays most colleges have open days when the work of the graduating students is on view and, often, on sale (although whether turning end-of-term open days into selling exhibitions is a good idea is open to question). Many have increasingly sophisticated press and public relations which means few genuine talents risk being undiscovered.

For the second year running The Business Design Centre at Islington Green, London N1* is hosting an exhibition of some of the best work from young graduates and this year's exhibition runs from July 11 – 14.

Anyone interested in design for its own sake should certainly go. Most particularly, potential employers and patrons, who might need new products to expand their ranges, new designers graphic artists or illustrators to join their teams, should make a point of being there.

Besides being a splendid visual treat showing what young designers are up to, and keeping one in touch with current thinking, it is also an excellent source of presents – scarves, jewellery, shoes or lighting, rugs, furniture, silver or ceramics.

You could pick up some stained ash executive toys for as little as £10 a pair, some vibrantly coloured wastepaper baskets at about £37 each, Lycra shirts at £20 and plenty more at under £50.

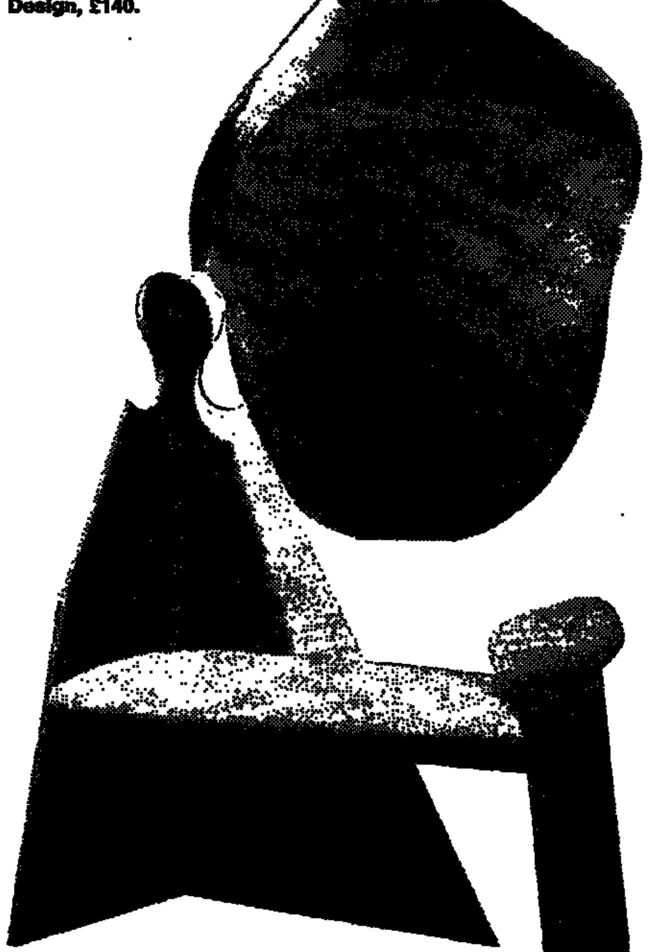
Do not think that much of the work will be crude and ill-developed – all of it has had to pass fairly stringent panels and here you will see the best work from colleges all over the UK.

Look out for an even more refined exhibition of students' work in the autumn when Zeev Aram of Aram Designs in Covent Garden's Kean Street, gives over his showrooms to the *crème de la crème* of student work.

He spends much of the summer going to almost every student show and in the autumn displays only the very best work. I will keep you posted on dates.

* Admission free for trade visitors, students and OAPs, £3 for others.

Golden bottle by Marianne Buus of West Surrey College of Art and Design, £140.



Birch and plywood chaise upholstered in calico and rejoicing in the name of "temptation", £650 by Nicola Adamson from the Parnham School

Getting a sunless tan

■ THAT strange object that began to appear in the sky on Thursday is called the sun. If past experience is anything to go by it is likely to bring all manner of rejoicing, including a profusion of leek-white legs.

Those who despair of ever getting enough of these elusive sun-rays to acquire what those who live in hotter climates call a tan could try a self-tanning lotion instead. Overnight those pale limbs can be toasted a reasonably authentic shade of biscuit.

Most of the self-tanning lotions on the market are much improved and, if applied with some care, produce an even, natural look. Two good ones are Piz Buin's Jet Bronzer (£7.14 for 200 ml) and Estée Lauder's Self-action Tanning Creme (£11 for 125 ml).

■ ONE OF America's oldest and most distinguished stationery companies, Crane, has now brought its wares to the UK.

No need to worry about how many trees are cut down to cater for your letter-writing needs, the company's paper is made entirely from cotton fibres.

It was on Crane's paper that invitations for the dedication of the Statue of Liberty were engraved, many an urgent letter from The White House is penned on its writing-paper and the US currency is printed on it.

A few of our best stationery shops are selling a range of the paper – prices are what you would expect to pay for high-quality stationery. It comes hand-bordered with hairline frames. Envelopes are lined and there all the special touches that some require from their stationery.

This is the paper for writing the most ardent love-letters and the most heart-felt thank-yous. It is stocked by: The Stationery Department, 181 New King's Road, London SW6 4SW; Thomas Goode & Company, 19 South Audley Street, London W1Y 6BN; The Walton Street Stationery Company, 97 Walton Street, London SW3 2HP; Paperchase, 167 Fulham Road, London SW3 6SN; Harrods and Liberty's.

■ Ralph Lauren has not been to Africa but that has not stopped him conjuring up a deep and powerful image of Safari woman.

Safari woman wears elegant linens and pale beige jodphurs, she sleeps surrounded by the finest muslin mosquito nets and neatly at hand, has an exquisite crystal cut-glass scent bottle holding the perfect perfume – Safari (devised, of course, by Ralph Lauren).

Nobody seems to have worked out what effect it might have on the wildlife in the bush but never mind that, back here in London it smells a treat.

The bottles are lovely – copied from old Victorian cut-glass scent bottles, with silver-effect stopper and mock-crocodile brown packaging. To my hypercritical nose it is one of the very nicest of all the new perfumes to come out in recent times, one of the few I would actually buy.

For those to whom the list of ingredients means something, it has (among others) taget, oranges des indes, jacinthe accord, mandarine, rose de mai, fleur d'oranger with undertones of patchouli, vetiver, bois de cèdre and ambre.

It is exotic, but not too exotic, rich but not too rich and, above all, not so loud or strong as to infringe on others nasal rights. It is, sadly, very expensive – cheapest version is £30 for 20ml Cologne spray, £150 for 15ml of the parfum and £250 for the largest 30ml parfum. It is on sale at Harrods of Knightsbridge and the Ralph Lauren Boutique, 143 New Bond Street, London W1. From September it will also be at Selfridges and Harvey Nichols.

LvdP

Toast the recession with some underpriced gems

*There are plenty of bargains in the bins. **Jancis Robinson** picks the best from both sides of the globe*

THE FOLLOWING wines, for very different reasons, are cheaper than they should or could be.

Australian wine

Practically all wine exported from Australia is underpriced, thanks to the flaky performance of the Australian dollar and the dire state of the market in Australia. Oversupply has led to frenetic price wars in the bottle shops of Sydney and Melbourne and slavish courting of export orders.

Even though Australian wine production is less than a tenth of that in either France or Italy, and barely a third of that in the US, no other wine producing country offers such a variety of consistently well-made wines that are available in Britain for £2.95 to £4.99 a bottle.

Oddbins' fidelity to Australia has paid off and the chain can field by far the most exciting range in this price bracket, demonstrating that sending a buyer halfway round the world once or twice a year is no extravagance.

Penfolds Bin 2 Shiraz/Mataro 1989 is a more recent vintage of one of their early Oz bargains and costs just £3.95 from Oddbins and £3.99 at Fuller's wine shops. Mataro is the same as Mourvèdre, America's trendiest grape variety, this full, spicy red would be a luxury-priced Rhône Ranger if it were made in California.

And there is no shortage of white wine bargains from Australia, especially for those prepared to stray off the Chardonnay trail.

Those interested in slightly more serious Australian wine should look at the special offer of Lay & Wheeler of Colchester (0206-764446) or visit the Australian Wine Centre in the Strand, London WC2.

De Luze burgundies

If you suddenly had 10,000 cases of burgundy to sell, and for complicated reasons could label it only with the name of a standard issue Bordeaux merchant, you would probably offer the wine quite cheaply. Such is the case at Laytons (20 Midland Road, London NW1 071-388 5081, retailing through André Simon shops) which has acquired a job lot of red and white burgundies from the superior 1985 and 1986 vintages.

The wines were bought originally for the French chain Nicolas but inter-company machinations left them languishing in Savigny-les-Beaune until Laytons came to the rescue. This means that most of the reds tend to the lighter, purer style favoured by French palates (as opposed to the more obviously cockle-warming style of red burgundy favoured by the likes of Averys of Bristol and Auberon Waugh). Some of the whites determinedly embrace the cellar smells apparently beloved by the French.

There are real bargains here however, notably in reds such as a lively, fruity Savigny-les-Beaune 1985 for £7.83 as part of a mixed dozen (£9 per single bottle); a rather darker, jammier Cote de Nuits Villages 1985 at £7.64 (£8.75); a surprisingly soft and juicy Nuits-St-Georges 1985 for £12.53 (£14.40) for drinking now; and a fine, concentrated, very true Gevrey Chambertin, Combettes 1986 for drinking over the next two years at £11.55 (about £13.40). The wines carry the de Luze label, but will benefit from decanting.

Wines at auction

As during any downturn, now is a great time to buy fine wine (particularly in New Zealand, I am told, but perhaps that is taking bargain-hunting a bit far). Middle-aged wines, in that happy no merchant's land between overpriced infancy and overpriced antiquity, offer the most tempting value.

I know I will regret not snapping up the best 1983, 1985 and, especially, 1986 claret on offer at Christie's and Sotheby's. And there is even better value to be had in vintage port, being sold in quite large quantities.

Vouvray 1989-90

Europe is awash with absolutely gorgeous sweet white wines made by the last two hot summers as they plumped up the grapes of Sauternes, Monbazillac, Alsace, Germany and the middle Loire, where the Chenin Blanc vine reigns over appellations such as Montlouis, Quarts de Chaume, Saumur, Bonnezeaux, Coteaux de Layon and, most plentifully abroad, Vouvray.

The most famous producers such as Gaston Huet, Foreau and Marc Bredif have accordingly plumped up the prices of their ultra sweet *moelleux* wines to take account of the exceptional nature of these vintages, perhaps the best the winemakers will see in their lifetimes.

But no-one seems to have told Bernard Fouquet, whose 15-hectare Domaine des Aubuisières constitutes one of Vouvray's largest properties. You can buy his sensational 1990 Selection des Grains Nobles – either Le Marigny or, for the long term, Cuvée Alexandre – for little more than £10 a bottle from Adnams of Southwold, Gauntleys of Nottingham and Oddbins. Both wines probably should be kept but the Marigny was irresistible with cheese. Sec and demi-sec versions, around £6 a bottle are drier but the ripeness of the fruit makes them vibrate in the glass.

German wines

Unloved, therefore underpriced, but the last three vintages should not be underestimated.

Food school which balances the books

***Nicholas Lander** visits a college where business is on the menu*

I HAVE just had a good meal in an organisation currently bucking all the economic trends.

It is consistently full, profitable and one of its restaurants is booked for the next month. It has no trouble recruiting staff nor finding customers in spite of offering four different types of restaurant and reasonable prices. And it does not depend on any restaurant guide books.

The four restaurants make up the public face of the Birmingham College of Food which, with 1,600 students and 175 teaching staff, is one of the largest specialist catering colleges in Europe.

The college owes its appeal to changes wrought over the past five years by Eddie McIntyre, its principal, formerly a chef at the Dorchester Hotel in London, and his two heads of department, Bob Heath and David Luke. They realised that to attract the best students they had to offer the training that would secure jobs, and to attract sponsorship and interest they would have to offer industry exactly what it was looking for – well-trained, eager staff.

They have turned the college from one that was classroom based to one that is kitchen based. Their intake, mainly 16-year-olds with perhaps no more than two GCSEs, are ushered in one September morning and put straight to work. The rota might allow a newcomer no more time than that necessary to get into their whites before he, or she, is serving lunch to fellow students.

By the end of September even the first-year students will be serving and cooking for the public under academic supervision. They will also have been put on the early morning rota which will take them around Birmingham wholesale market while their colleagues stay warm and work the computerised stock and goods system.

By the end of their second year, aged 18, they will be smoking their own salmon and preparing a pepper steak, finished on a flambé dish at the table, in the main *à la carte* restaurant.

During the course of the academic year these restaurants, and other retail outlets in the college, such as a bakery shop, contribute almost £500,000 to the college's annual income of £5m. Nothing the students prepare is wasted; once cooked, it is chilled and then sold. Heath boasts that with this system he has a raw material cost close to zero but that disposing of 200 gallons of Scotch broth in a week, one of the dishes the first year students make, can be a problem.

The college has also been in the right place at the right time. In the mid-1980s Birmingham City Council decided to go after the leisure and conference market: the National Exhibition Centre was the start, the recently opened International Conference Centre the most recent addition. Over the past three years 3,500 hotel bedrooms have been built in the West Midlands.

The city council and local education authority have been enthusiastic supporters of the college financially and, in turn, the college has supplied waiters, chefs and managers to the Motor Show and the Edgbaston Test. As well as providing the staff the college has undertaken a large part of the pre-recruitment training for the staff at the nearby Copthorne Hotel and at the Conference Centre and have run courses during the summer – when the college is closed – to hoteliers and restaurateurs on the Food Safety Act.

But tucked away on the college's third floor is the biggest surprise. The large number of Indian, Chinese and Pakistani restaurants in the city means that, the college has developed the first purpose-built training centre for the cooking of "ethnic food" in the UK. There is a tandoori oven, a pizza oven and pasta making machine, and, at the far end of the kitchen, a range of six stainless steel Chinese woks, three of them with turbo burners exactly like those found in top Chinese restaurants. All these feed the Continental Restaurant where, for about £3 per head, you can eat dishes from around the world. I was there during Spanish week when the dishes from their tapas bar – squid, chorizo sausage, grilled prawns – were explained to me by a first year student from Ireland.

The college's restaurants are open Tuesday to Friday, with public demand steadily increasing for the evening trade. Mondays are reserved for the theoretical side of the students' courses and to allow the students to practise all the social skills necessary in dealing with the general public. During the year the college is frequently used as a venue for lunches and dinners and the students deal with clients over the menu, wines and seating arrangements.

On the notice board are proudly displayed some of the results: grateful letters of thanks from Birmingham Cable for a launch party, from All Nippon Airways after a successful karaoke evening, and, from the Birmingham branch of the National Council of Women after a much-appreciated dinner. All testified that 1991 had been a rewarding year for the college.

■ Birmingham College of Food, Summer Row, Birmingham B3 1JB. Tel: 021-235 4076.

First-class courses: a lecturer and student prepare food at the Birmingham College of Food

Eating out in France

The bourgeoisie win again

THE gastronomic scene changes remarkably quickly in Paris; restaurants and bars go out of business, or worse, out of fashion. What you may have felt to have been a good place a few years ago is now scorned by Parisian friends; it is often best to take fresh advice or buy the latest guide before you start heading for old haunts.

The 20th century has continued to take its toll of Paris' great institutions. In the place de la Madeleine for example, businesses have been taking over the sites of leading restaurants and turning them into offices. Japanese investment has led to some particularly worrying developments on the square and its most famous restaurant, Lucas Carton.

When I lived in Paris the city's star chef was unquestionably Alain Senderens of L'Archestrate. Then the news came that Senderens had abandoned L'Archestrate for the Lucas Carton. Later we learned that Senderens had sold to the Japanese who retained his services in the kitchen. The latest report is that the owners of the art nouveau building are refusing to renew the lease. What is to happen to Senderens and Lucas Carton?

The Japanese, it is said, are also behind one of the saddest mutations in this part of Paris: the virtual destruction of the Cité Berryer to make way for a hotel. The Cité used to be a perfect Parisian street in microcosm. Now the little restaurants are no more. Gone is the fishmonger, baker and wine-merchant; only the up-market restaurant Le Moulin du Village survives, determined not to yield to developers.

Le Moulin is owned by Englishman Mark Williamson who with his partner Tim Johnston also runs the successful wine-bar-cum restaurant Willi's in the rue du Petits Champs and Juveniles in the rue de Richelieu nearby. It was their advice I took when I decided to see what was in vogue in Paris. I wanted a restaurant which had recently opened and another which had been rediscovered.

Mark and Tim sent me off to the Manufacture in Issy-les-Moulineaux for the first of my requests.

Years ago I used to work in Issy, a somewhat grey suburb just behind the big exhibition halls of the Porte de Versailles. Now, with businesses taking advantages of lower rents in the suburbs, Issy has gone up in the world. Le Manufacture is actually in a former cigarette factory which has since been redecorated by Sonia Rykiel.

The menu was modern: short and innovative with a few specials added daily. A *mille feuilles* of beef with horseradish made from practically raw meat was particularly successful while *paquets* of asparagus and leeks turned out to be no packets at all and rather pointless.

The shin of veal *en jambe de bois* was not an allusion to the old recipe for soup revived by Paul Bocuse in Lyon. If anything it looked more like a spring *navarin* with its garnish of fresh peas. The plate was exquisite to look at and the dish fresh and light for all its spring verdure.

The cheese board was an example of minimalism: four well-selected cheeses including excellent Livarot and Reblochon. The desserts were well thought out: a *prelat* of chocolate with sour cherries and an interesting *craquant* of apples flavoured with rosemary.

With enough wine the meal came to about £40 a head, which is not cheap by Parisian standards. Le Manufacture is of interest if you are doing business in the area; personally I should hesitate to make the detour again.

The second restaurant recommended by Mark and Tim was not new by any stretch of the imagination. Astier, in the scruffy 11th arrondisement, looks as if it has been there since the beginning of time. As a traditional Parisian bistro, Astier upholds the traditions of *la cuisine bourgeoise*. At lunchtime there is a FFr120 menu offering four courses without wine.

I chose herring fillets with warm potatoes and was brought a deep terrine and told to help myself. My next choice was an unashamedly rustic chunk of smoked Morteau sausage on a bed of green lentils from Le Puy. There was nothing minimal about the cheese course: some 50 cheeses in good condition. I finished with an eggy clafoutis flan filled with Mirabelle plums. With coffee, water and half a bottle of well-chosen Beaujolais the whole lot came to about £18.

Indeed, apart from the obvious attention paid to the wine list, Astier seems to be pleasantly stuck in a time warp so far as Paris is concerned. Long may it remain so.

■ **Information:** Restaurant Manufacture: 20 esplanade de la Manufacture, rue Ernest Renan, 92130 Issy-les-Moulineaux. Tel. 40 93 08 98.
Restaurant Astier (closed Sat and Sun) 44 rue Jean Pierre, Timbaud, 75011 Paris. Tel: 43 57 16 35 or 43 38 25 56.

Giles MacDonogh

Appetisers

THERE ARE still some restaurants apparently more interested in their customers' wallets than their well-being, as a visit to the Bombay Brasserie, London SW7, proved, writes Nicholas Lander.

We went because they claim to be featuring dishes from the various, and varied, regions of India but left disappointed. The waiter failed to provide us with the regional menu until after we had ordered and the large sign at the bottom of the menu "minimum charge £20" did not encourage us to linger.

As we sat down the waiter placed four unsolicited popadums on the table – an original stimulus to the bar takings – and something we saw happen at all the other tables. These same popadums, however, then appeared in the middle of the items on the bill charged at £1. The restaurant is large and busy and probably fills 200 tables a night, seven nights a week. This easy contribution to the weekly takings of £1,500, or £75,000 in a good year, should not be allowed in a restaurant that is the flagship of Taj International Hotels.

■ ■ ■

Potatoes are too easily neglected both at home and in the restaurant. At home we are too lazy or too conservative to experiment; in the restaurant chefs tend to leave this versatile vegetable to the newest, and most inexperienced, member of the brigade.

In 1989 Lindsay Bareham began to put this to rights with her book *In Praise of the Potato* but, sadly, the publishers only issued it in hardback. Now Grafton have reissued it as a paperback at £5.99.

■ ■ ■

Less than a kilometre from the airport for Toulouse, in Blagnac, which lends its name to the airport, is Michel Pujol's restaurant (tel: 61.71.19.58) which would make an auspicious start to any holiday. The price of the main course (from FFr150 to FFr200 francs) allows you to help yourself as often as you like to the first courses on the buffet and dessert. A barbecue is the highspot.

Yachting/**Keith Wheatley**

Auld Mug's game for the rich

The battle for the America's Cup is taking its toll even on multi-millionaires

BILL KOCH, Kansas energy tycoon and sailing-nut, is involved in his first – and last – America's Cup. "The publicity is too gross and the competitors too nasty to want to do another," he complained after the AC class world championships in May.

Peter de Savary, on the other hand, was – until last weekend – at the helm of his third Cup campaign. Another difference between these two men is that Koch is spending $65m (£39.6m) – three times his original budget – on a sequence of new yachts plus a workforce of 200 to maintain and sail them. De Savary had £2m to spend – and his old mates working for peanuts.

At teatime last Sunday de Savary made an announcement that shocked all of them. "I have decided to retire from the America's Cup," he said. "For ten years I have campaigned to bring this trophy back to England but the event has become of such a commercial scale that it is now impossible to compete as an individual.

"I have endeavoured to keep alive the British challenge but it has proved difficult to find sufficient British sponsorship at a time when businesses are concentrating on the problems of the recession.

"Three weeks ago, when I decided to build a boat, it was with the knowledge that we had a design lead on the world and also a substantial sponsorship offer which, though generous, was not enough to finance the challenge. One or two other sponsors who were close to a commitment did not go firm, so I have decided to retire from the Cup and concentrate on other activities."

This is PDS – his sobriquet to friend and foe alike – in recession mode. The Pall Mall offices in London have given way to a quiet mews off the Cromwell Road. He is the first to admit that property and leisure, his main business interests, have been hammered in the past two years and he has found it no easier than anyone else to stay afloat.

Hence his ridiculed but totally serious plan to billet the crew and shore team in army tents on the San Diego foreshore. "We were going to borrow the tents from the Desert Rats and live in them in California. The rest is all froth," laughed the man who routinely entertained royalty at his America's Cup mansion in Newport during the 1983 regatta.

In a waterfront shed at East Cowes, on the Isle of Wight, the non-frothy bit has come to rest at a boat-builder's door. Rob Lipsett is one of the world's top hi-tech yacht builders. His team at Vision Yachts has already built components for other country's Cup challengers and resisted offers to transfer *en masse* to wealthy foreign syndicates, in order to build the British boat.

Insiders twigged that something was wrong with the de Savary challenge when Lipsett began laying men off rather than hiring them. In a small town like Cowes the dole office is a great source of gossip. The yard is believed to have spent about £35,000 on materials and labour before the curtain dropped.

Designer Ian Howlett, de Savary and skipper Lawrie Smith go back as a group to the *Lionheart* challenge in 1980. They were together again with *Victory* in 1983. In both boats Howlett managed significant innovations – a bendy mast on *Lionheart*, a winged keel on *Victory* – which were "adopted" by the successful Australian opposition.

"We did have one or two surprises in this boat," conceded Howlett, 41, a shaggy-haired Balliol graduate whose spiritual and actual home is Oxford rather than the *Howard's Way* environs of the Solent. "There are areas for significant speed gains in this class and none of the other boats *I* see on the water is making them."

The most painful irony of all is that with a brand-new class of 75ft yachts, still waiting to be fully understood, the Cup has never been more winnable. Results so far from San Diego indicate that the Italians could well be bringing the Auld Mug back to Europe for the first time since it left in 1851.

However, even the Italian challenge is not immune to economic pain. Patron Raul Gardini has been ousted from control of the Montedison chemicals-to-plastics group which is sponsoring the team. Whether his yachting baby survives the new regime is doubtful. But perhaps too many billions of lire have been spent to pull out now.

Dropping the baton has not yet occurred to Koch. Three of the 15-or-so America's Cup yachts already afloat belong to him. This MIT-trained multi-millionaire decided to throw both money and science at his longing to defend the America's Cup for the US.

Mega-rich yachtsmen have "friends" like dogs have fleas. Pretty soon nearly all of them were on Big Bill's payroll. Koch wants to steer the boat himself, so former Cup helmsman-turned-broadcaster Gary Jobson came aboard as his coach and mentor. Other Olympic sailors such as John Kostecki, Larry Klein and Buddy Melges joined the team.

Klein was sacked and is sueing. Kostecki has taken a walk. Jobson last week found a "better opportunity" back with ESPN, the sports cable network.

"America's Cup seems to have a devastating and non-beneficial effect on people," mused Koch over breakfast. Rodin's bronze, *The Thinker*, gazed down on us from the mantelshelf, distracting the eye from the Monet near the front door. This man collects art. In the early 1980s he sued his brothers and collected nearly $600m from the family business.

A mile across San Diego harbour Dennis Conner, the most successful America's Cup sailor ever, has money problems to match de Savary's. Yet *somehow* he has *found* enough cash to build a fast boat, designed by old friends and sailed by colleagues who go back years with Dennis. Conner is eating Koch alive.

Maybe de Savary came close to a similar truth. "An aggregate 33 years is a lot of mutual trust and experience," he said of his relationship with Smith and Howlett. "We're comfortable with each other. If we had had enough money to build the boat and eat we'd have been fine."

Howlett observed: "If you've got too much money and too much time, it becomes very hard to focus the mind."

De Savary is smart enough to know that the public mood is not one to lap up an all-champagne-and-Concorde campaign, even if he had had the money to fund one. "I would not have wanted to associate myself with frivolity and extravagance at present," said the man who once revelled in both.

Meanwhile, in San Diego, Koch has already got through three helmsmen, a $5m yacht built in complete secrecy at a Utah aerospace facility that will be scrapped as unsuitable – and $28m in spending money.

Racing through recession

Continued from Page 1

don't believe the case has ever been proved that racing *needs* more money. The levy is adequate as it is. But even if it isn't, why should bookmakers pay the increase in the levy? They do an immense amount for racing anyway – take the raw material, package it and sell it."

So why are bookies so unpopular? "It's a stigmatised industry. In part, their image is still derived from the era when bookies were seen as flash characters puffing huge cigars and wearing gaudy suits, though their image has improved a bit of late. When you get down to it, the bookies are competing against the punters for a pot of cash.

"Yet their profits are not excessive. Their average net profit – some earn below it – is 3 per cent of turnover after costs, betting duty and levy but before corporation tax and interest charges. If betting shop deductions had to be raised beyond the 10 per cent barrier so as to fund a higher levy, there would be customer resistance.

"However, it is our belief that racing can wring enough extra turnover and levy to pay for its wants under the existing set-up. All this would need is some fairly minor changes: evening opening hours for betting shops, Sunday racing, a more levy-friendly fixture list (such as running the Epsom

'The bookies are competing against the punters for a pot of cash'

Derby on a Saturday, not a Wednesday, so as to boost betting turnover), the right to place fruit machines in betting offices, etc. With changes like those, racing could have its £50m fairly easily.

"What must be remembered is that the rate of off-track betting duty is higher in the UK than in many places abroad. Arguably, betting duty is too high at 8 per cent of turnover and ought to be lower. The bookmakers would be pleased to join the Jockey Club in arguing this case at the Treasury and campaigning for betting tax to be reduced in order *to help racing*."

So the arguments rage. But so do the races. There are high hopes that the 1991 English Flat-racing season will be a vintage one. A colt named Generous, winner of this year's English and Irish Derbys, is thought by the experts to be on a par with the greatest middle-*distance stars of the past* decade: Shergar, Dancing Brave and Reference Point.

And at Sandown today a star-packed field will whizz to the finishing line in the Eclipse Stakes. The ruling Maktoum family of Dubai, which has poured uncounted millions into British racing, will be represented *by Stagecraft and* Marju; the Dowager Lady Beaverbrook, an elegant and popular old stick, will see her famous colours (beaver brown and maple-leaf green) carried by Terimon; and Roger Charlton and Prince Khalid Abdullah will stare transfixed as Sanglamore throws down his *challenge. For the centuries*-old business of horse-racing, it will be magic-as-usual.

Wimbledon/John Barrett

Clash of young veterans

Graf and Sabatini renew their rivalry at Wimbledon today

THIS AFTERNOON'S women's final at Wimbledon between the 22-year-*old former champion*, Steffi Graf, and her Argentine challenger, Gabriela Sabatini, one year younger, promises to be a classic. It renews a rivalry that stretches back to 1985 when, as teenagers, they first met in New Jersey.

That sweltering afternoon on the hard courts of Ramapo College, 16-year-old Steffi was limping from a pulled muscle in her left leg and Gabby, 15, had blisters on her right toe. The youngsters were learning the realities of life as tennis professionals. The German prodigy won a hard-fought match and those with vision realised that they had witnessed the future of women's tennis.

Six years and half a tennis lifetime later, now ranked No 2 and 3 in the world behind the absent Monica Seles, they meet for the 30th time in the most important final of their young lives. Both have much to prove. For Graf it is a question of re-establishing herself as the force in women's tennis. Three years ago she won the first of her two Wimbledon titles *en route* to a unique "golden" grand slam that ended with emotional scenes in Seoul.

As she stood tearfully on the victor's podium wearing her Olympic gold medal, it seemed that the Graf era would stretch into the far distance. But for two years a series of physical, mental and emotional setbacks, one involving her father's alleged liaison with a German model, undermined her *ability to* compete at the highest level. After winning her ninth grand slam title in Australia in January 1990, Graf's aura of invincibility melted away. The ultimate indignity occurred last March when Seles overtook her as world No 1, a position Graf had occupied for a record 186 consecutive weeks since August 1987.

Last year was full of frustrations for Graf. A loss to Seles in the French final was followed by defeat in the Wimbledon semi-final at the hands of an inspired Zina Garrison. Last September it was Sabatini who took away her US Open crown with a spectacular display of volleying that impressed all who saw it. This year has been no better. After a *nervy loss to Jana Novotna* in the Australian quarter-finals came the crushing 6-0 6-2 semi-final defeat in Paris at the hands of the effervescent Arantxa Sanchez-Vicario.

To-day's encounter offers Graf the *best possible chance to prove that* she is fully restored as a confident champion. Although four of Sabatini's nine wins against Graf have been this year, the German can take comfort from the fact that their only meeting on grass was at Wimbledon in 1987 when she won 4-6 6-1 6-1. In her six matches at this year's Wimbledon she has lost no sets – and a mere 23 games – in reaching the final for the fourth time.

Her coach, Pavel Slozil, thinks that Steffi is playing better in practice than she has ever done. More important, she seems to be enjoying life again. After her 6-2 6-4 semi-final win against Mary Joe Fernandez two days ago, Graf said: "I am very confident. If I have anything to prove then it is only to myself, nobody else. I think I am relaxed, and I am definitely enjoying myself."

Joy is a commodity often in short supply among today's highly-pressured tennis youngsters. Yet, as Billie Jean King has pointed out to Martina Navratilova and Tim Mayotte, both of whom have smiled a lot this year, if you are not enjoying the game, why go on playing?

This is a lesson that Sabatini has learned from her Brazilian coach, Carlos Kirmayr, with whom she started working *just* before Wimbledon last year. Kirmayr has convinced the confirmed baseliner that she should exploit her talents as a volleyer. It would be more fun, he *explained*, and would allow her to express her personality more completely. The transformation has been amazing. But Sabatini still has to prove she can produce her best on the great occasions, and on a grass court. Like Graf, she has done herself less than justice in the majors this year.

Although she has won five tournaments and has been beaten only four times, two of those losses were on grand slam occasions. Sanchez beat her in the quarter-finals in Australia and Seles in the French semis.

Sabatini is convinced her time has come. *Following her 6-4 6-4 baseline* victory over the 15-year-old American, Jennifer Capriati, she said: "I'm pretty confident mentally. It's going to be a tough match, I know that, but I have done well in our last matches. I'm very excited to play Steffi and I will have to be more aggressive playing against her."

Capriati, at 15 years 96 days the *youngest-ever semi-finalist at* Wimbledon, and Andre Agassi have been the two saviours of the wettest Wimbledon in memory.

When Capriati, with some of the most powerful and accurate groundstroke play I have seen, ended Martina Navratilova's dream of adding a 10th singles title to her record nine, I was reminded of the great American teenage champion, Maureen Connolly. Not since Connolly won her first title in 1952 aged 17 and then added two more in 1953 and 1954 to remain undefeated at Wimbledon have I seen such destructive driving – more powerful by far than anything Chris Evert ever produced, thanks chiefly to modern rackets.

Agassi, flamboyantly unsensational and as impressed with Wimbledon and its traditions as the fans were with his tennis and his attitude, provided a magnificent example of the destruction that such powerful weapons can mete out.

His spectacular shot-making was awesome – a miracle of timing. This enigmatic American, who has been a finalist in the last three grand slam events he has contested, did well to reach the Wimbledon quarter-finals on a surface that hardly suits his ambitious style of play.

Agassi has proved that, provided you have sufficient ability and apply yourself from an early age, the impossible is within reach. But the loss to his unseeded compatriot David Wheaton slightly dented his growing reputation and cast further doubt upon his ability to win on big occasions.

It was impossible not to admire the cheerful demeanour of those hardy fans, more than 28,000 of them, who raced to fill the unreserved seats on the Centre and No 1 courts last weekend when Wimbledon opened its gates for the first time on the middle Sunday.

Some 12,000 had spent the night under tarpaulins, plastic sheets and umbrellas in queues. Their spontaneous cheers and chants, their Mexican wave, their impeccable behaviour and obvious delight at sitting in expensive seats for a mere £10 illuminated another dismal day and inspired the tennis players to produce their best.

Sadly, it is a move that cannot be repeated. It was fortunate that exactly the right number of spectators turned up. Imagine the scenes if there had been 50,000 outside the gates clamouring for admission.

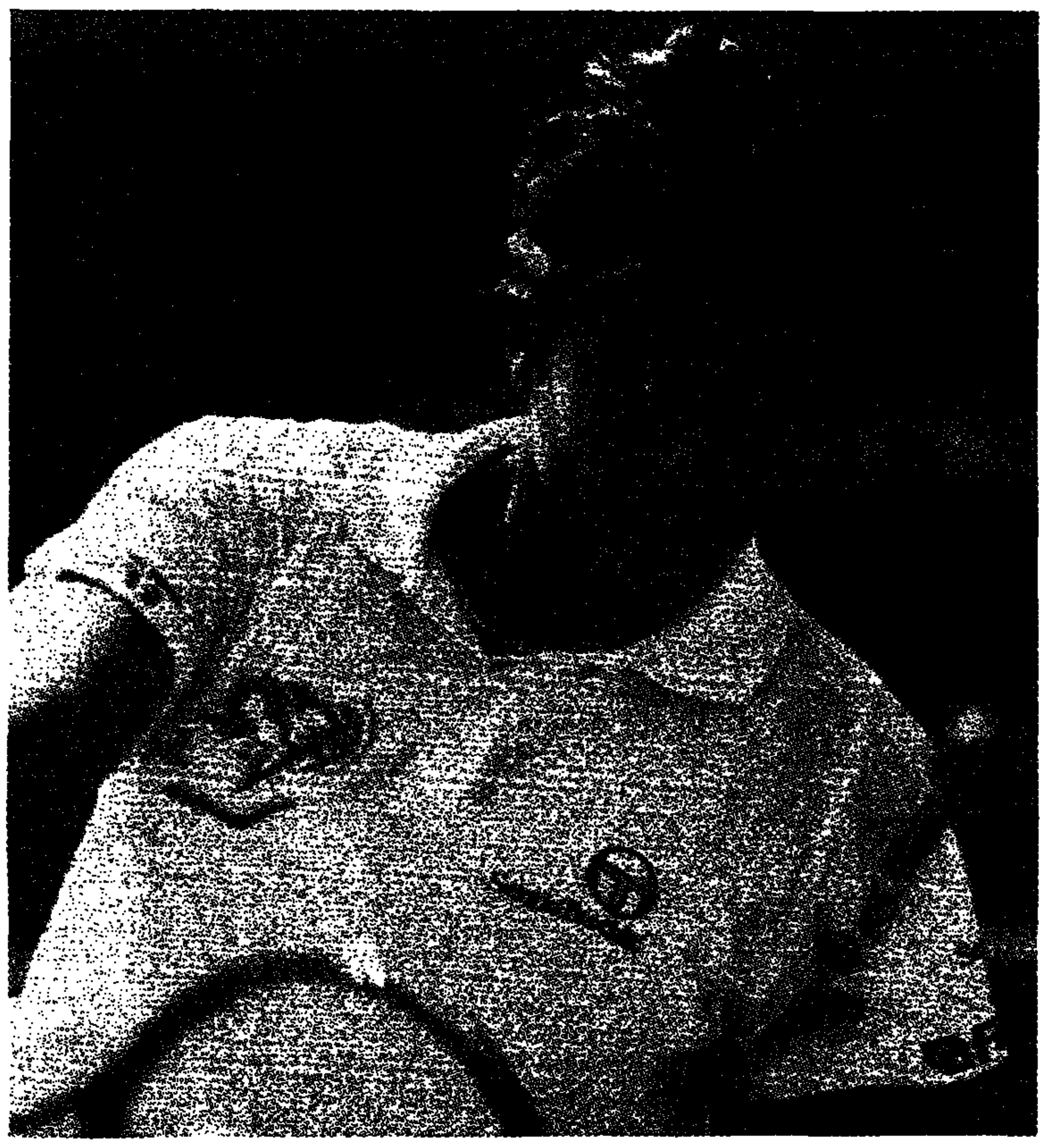
The referee, Alan Mills, and his team deserve congratulations for pressing for the extra day and for bringing the programme to within one match of completing the revised schedule by Thursday night.

This was achieved by reducing the men's doubles to the best of three sets until the quarter-finals and by halving the boys' and girls' doubles to 16 pairs in each. On Wednesday, 102 matches were played, the second highest number ever, only 14 short of the total played on the second Wednesday in 1980. The 87 matches completed on the first Saturday, when play was uninterrupted for the first time, is the highest number ever achieved on a single day in the first week.

The *defending* champion *and top* seed, Stefan Edberg, has been the form horse in the men's singles. When he reached his fifth Wimbledon semi-final in as many years, he had not lost a set and had extended his streak of wins on grass to 17 matches – seven at Wimbledon last year, five at Queen's Club and five more at Wimbledon this year.

He has excelled in all departments, especially in timing his returns of serve and covering the court so nimbly with tiny, fast steps. As always he has served and volleyed with great assurance. The last man to win Wimbledon without losing a set was another Swede, Bjorn Borg, in 1976.

Boris Becker, seeded two, looked strangely tormented on his way to the semi-finals. For a man who has won the title three times and been in five of the last six finals, the 23-year-old German is *curiously* ill at ease on a surface that is made for his powerful game. Before yesterday he had dropped a set in each of his last three matches, and on Thuraday might have lost to the left-handed Frenchman, Guy Forget, if two points had gone the other way.



Touch of joy: Gabriela Sabatini has learnt to take pleasure in her tennis and that has helped her win

S Africa does it cheaper

***Stuart Marshall** on the arrival of 500 Mazdas made in Pretoria*

SAO PENZA *may sound* like a Brazilian town named after a Portuguese saint but actually it is the latest car from a faraway place to land in Britain's depressed market.

You pronounce it "say-oh" and the SA stands for South Africa, which is where it is made. And what does Penza stand for? Nothing, really. It is one of those non-names like Dedra and Tempra, which I mixed up when writing about the new Fiat Tempra station wagon last month, or Lantra, the compact Hyundai executive saloon from Korea that took my fancy last week.

A boatload of 500 Sao Penzas is on sale at prices that will bring no cheer to beleaguered big-brand motor dealers trying to move metal in the dog days before August 1, when hopefully a J registration mini-boom will lift sales for a while.

Though the Sao Penza is made in Pretoria its roots are in Japan, so never mind the name. It is a 1.3 litre version of the latest Mazda 323 but one, slightly modified to meet South African market needs. At £7,549 for a 5-door hatchback and £7,695 for a 4-door saloon, I can see it matching some British private buyers' requirements, too. It is being marketed by selected dealers in the MCL Group's network. MCL also imports Mazda and the Korean Kia (this column, June 15) and used to bring in those East European dogs, the Wartburg and FSO (Polski-Fiat).

I have not yet tried the Sao Penza which, just to complicate matters further, is also sold in South Africa with different name badges and engines as the Mazda 323 and Ford Meteor . . .

According to John Ebenezer, MCL group chairman, the Sao Penza offers Japanese-style build quality at an affordable price. *He thinks it will make* friends among motorists who are not looking for anything stylish or complicated but just want a reliable, well-specified car.

The cars have 5-speed gear boxes and automatic chokes. Fuel consumption should be around 39-40 mpg (7.2-7.1 l/100 km) with a cruising range of about 450 miles (725 km) per 12.5 gallon (57 litre) tankful.

There will be no limit on the number of Sao Penzas entering Britain. It is not the first light vehicle to come here from South Africa – we received a few thousand Cortina-derived Ford P100 pick-ups from there in the late 1970 and early 1980s. And it is not the first but the third Japanese-designed car to reach us from an outpost of what used long ago to be the *British Empire*.

The Proton, built in Malaysia with the help of Mitsubishi technology, has done well since its introduction to Britain over two years ago. Some time earlier Michael Orr, then head of Colt Cars, Mitsubishi's UK concessionaires, had a wheeze to get round import restrictions and increase sales volume. Why not, he reasoned, bring in Australian-assembled Mitsubishi Sigma saloons and estates that had been rebadged as Lonsdales? Britons would buy as many as they wanted.

I remember Lonsdales well. They were old fashioned and less refined than the real thing but, having bigger engines, not at all bad as tow cars. Orr spoke of selling 10,000 Lonsdales a year but the market thought otherwise and it all fizzled out after a year or two.

The Sao Penza will, I suspect, do rather better. It could even be another Proton in the making, selling to private buyers who seek Japanese standards of reliability but cannot afford Japanese prices.

The Sao Penzas look cheap compared with the latest Mazda 323s. These start at £9,299 for a 1.3 litre, fuel injected 3-door and go up to £15,099 for a 1.8i 5-door GT with ABS brakes. Very good they are, too. I used one last *week; a 1.6i GLS 4-door saloon* with automatic transmission, power steering, ABS brakes, exhaust catalyser and a high level of equipment. It drove with the refinement and style of a scaled down executive car.

At £12,999 it would be beyond the reach of potential Sao Penza buyers who would not want all its sophistication anyway. But price it against similarly specified rivals such as the Ford Orion, Rover 416 and VW Jetta and it looks keen value.

Sao Penza 1.3 hatchback (left) and saloon are South African versions of the Mazda 323 Japan stopped making three years ago.

Wear the belt, learn the law

IF YOUR rear passengers are not belting up, they should be. The new law making rear seat belt wearing compulsory came into effect in the UK on Monday. Unbelted back seat passengers are now liable to a £16 fixed penalty ticket or a fine of £100 if they decide to argue the toss before a court.

The rule applies to taxis as well as cars.

It is up to adult passengers themselves to wear the belts. *Drivers, though*, continue to be responsible for ensuring that children under the age of 14 riding in the back are "properly restrained." That means special safety seats for the very young; seat belts, with booster cushions if need be, for older children.

All cars and taxis registered since 1987 have had to have rear seat belts fitted. Many older cars were produced with mounting points installed but the Department of Transport reckons about 60 per cent of all cars have rear belts now.

The proportion will go up as old vehicles are scrapped and pre-1987 cars are voluntarily fitted with rear belts. By the mid-1990s the vast majority of Britain's car fleet will be equipped. In the meantime, rear seat riders in pre-1987 cars will not be subject to the regulations.

It appears that a lot of people do not know the law. Many think that young children travelling in cars without rear seat belts would be safer sitting on their parents' laps than left unrestrained in the back. They would *not* be safer – and this also happens to be illegal under the Road Vehicles (Construction and Use) Regulations 1986 (b).

Roughly half of Britain's motorists are also said to believe mistakenly that children under seven are not allowed to travel in a car's front seat. They also think it is all right for them to travel unrestrained in the back of a car that does have rear seat belts.

This is not so. Under-sevens may legally to ride in the front seat but only if suitably fastened-in. That means safety seats for infants and toddlers, wearing the ordinary seat belt (with booster cushion if necessary) for older children. *And if the car does have rear* seat belts, they must be worn by child and adult passengers alike.

S.M

As they say in Europe

A war of words without ceasefires

ONE CAN learn a lot about a country from the newspapers. There is fighting in Slovenia but the copy of *Delo* from Ljubljana arrives regularly, at most a day late. The Serbian papers have not been seen for weeks.

The press in Yugoslavia is much given to extremism and sensationalism so what do they do in a world where the extreme and the sensational are the norm? Vojko Flleger, under the heading "Total War" had a go in *Delo*: "Whoever fails to recognise that this is a war between the fundamental bases of civilisation and barbarism, in which the 'bells tolls for everyone,' has to take responsability for that decision."

The day before, the main editorial was headed "Slovenia will never surrender" and it ran: "The Yugoslav Army, or at least the cynical generals with a sense of unlimited power in their Belgrade headquarters, is implementing extraordinarily brutal aggression against Slovenia. It is merely a replica of the Soviet attack on Prague in pre-historic times."

The Serbs seem to have put forward a number of contradictory arguments about the justice of their cause. Or maybe the Slovenes are making up contradictory stories about the Serbs. *Delo* quotes a General Kadijevic as saying that Italy supports a united Yugoslavia in response to German and Austrian aspirations in the north-west of the country, even that Germany is seeking to create a Fourth Reich but is opposed by the US and the Soviet Union.

Another story emerged when the Rome daily, *La Repubblica* sent its man to Gorizia. That town lies smack on the border; one crosses the curiously named Blood Creek to Nova Gorica on the other side. There the Slovene mayor told *La Repubblica* that a "top secret army High Command document," which had been found in Ljubljana, said that Austria and Italy were massing on the border ready to move in and take over. The mayor said, "It's a lie to justify the brutal invasion."

For many, Slovenia may be a far away country of which we know nothing, but for others it is right next door. In the pages of the Italian media the fighting became a spectator sport. Nothing has been seen like it in Europe since 1937 when crowds gathered in the frontier town of Hendaye in France to watch the the Spanish civil war rage in Irun.

In Austria there is the same feeling of close involvement. The Slovenes are unloved but are always preferable to Serbs. In Vienna, *Die Presse*, on the anniversary of the shooting of Archduke Franz-Ferdinand in Sarajevo in 1914, came down firmly on the side of the separatists, and then started to look for someone to blame. That paper had condemned the anti-Americanism that manifested itself in Austria during the Gulf war but found it provided a useful subject for an editorial this week.

"Human rights, freedom, democracy, self-determination, protection from the communist menace. We have heard it all and the echoing call about 'Shared Values.' For years this has never been missing from the speeches of American politicians in Europe. And we Europeans trusted them. The great majority of Europeans believe even today – and in fact even more more strongly than before – in human rights, freedom, democracy, self-determination and anti-Communism. But it is hard to believe that the United States is still the foremost defender of the values. The Slovenia crisis provides yet another burden for the relations between Europe and the America. Today's America has interests, but has it really still got ideals?"

Now this was very odd. On the same day, the Polish daily, *Rzeczpospolita* wrote: "In view the the flow of blood the West is naturally seeking to modify its stand in favour of the Yugoslav federation . . . we are reminded however of the tragic principle expressed by Churchill, 'Nations have no friends, only interests.'"

The papers of the region seem to have been ahead of west European political leaders. They accepted the end of Yugoslavia as we know it some time before such a possibility was even mentioned in the capitals of the Community.

If the Polish paper took up one theme from *Die Presse*, *Delo* took up another: "Americans are religiously celebrating the 4th of July. Such festivals are unique. In other words, freedom and democracy are reserved for Americans alone and whoever wants to join the club has to get American permission."

■ ■ ■

In Moscow last week I learned that even well-informed Russians are as badly informed as we are about the secrets of the Cold War. This is because the new breed of investigative journalists receives no more help from the KGB than we get from MI6, but they do, nevertheless, come up with some hints about what really went on.

Moscow News ran an expose of Victor Louis, the notorious source of "news" for certain British newspapers at the height of the Cold War. Much money was spent in Fleet Street to get to the bottom of the Louis mystery. *Moscow News* notes that he was born in 1928, has a British wife, Jennifer Statham Louis, and was Moscow correspondent for the *Sunday Express*.

The report continued: "Victor Louis was well known among narrow circles of the Moscow intelligentsia in the 1960s and 70s. Opinions of his KGB connections vary. Some people said it was a gentleman's agreement between the two sides: this country allegedly needed at least one free journalist to show the West we had freedom too.

"Others believed him to be a double agent used by both us and the West, while he skilfully manoeuvred between two paymasters. Some were sure Louis was bluffing: he did not work for either side and just pretended to have connections in high places. His job with a second-rate British newspaper was considered a screen. It was his British wife who did the work while he ran errands for her.

James Morgan

James Morgan is Economics Correspondent of the BBC World Service

Robin Lane Fox picks self-seeding plants for informal gardens while Arthur Hellyer admires the beauties of the little-known Hyde Hall

Foxing formality

YEARS AGO, English gardeners hit on the idea of informal planting in gardens of formal design. It remains an inspiration to most of us whose gardens are not in such settings that gardening is either wild or superfluous. In this style, the grand plan of the garden remains firm and formal, without curves, waves and fancy shapes: the plants within the formality are on the verge of a wilderness, about to go out of control.

The informal style of planting welcomes plants which seed themselves without swamping everything else in sight: among my mainstays are aquilegias in May and violas throughout early summer, the bright pink soapwort, a neglected plant nowadays, evening primroses for the later months in pale lemon-yellow and masses of the blue autumn crocus specious, ready for planting this month and one of the outstanding bargains in bulb merchants' lists.

This month, you can set out on a future of informality by sowing two of the easiest plants in the book. To my eye, it has been a foxy summer, dominated so far by foxgloves and foxy relations while the old-fashioned roses have been foxed and browned by the rain.

Among their old roses, connoisseurs like to use foxgloves because their vertical spikes of flower are such a contrast and stand up between bushes. Foxgloves seed themselves informally without becoming a nuisance, but they are best when limited to particular colours.

The best colours are white and apricot, ready for sowing this month in any old corner where you can make seed-drill and remember to water it if the weather sets fair. Foxgloves will come up by the hundred, but then you need to know a trick or two.

The apricot forms seem easy enough. I much prefer the stronger form from Thompson and Morgan, of Ipswich, Suffolk, to the better-known Suttons Apricot from Suttons' Seeds. The Ipswich variety is taller and more imposing. Unfortunately, the colour is not stable and if you keep your apricot seedlings for a second or third year, many will revert to plain old purple. They have to be sown like biennials and grown for every other year, but they are so exceptionally easy that anyone can cope with them for minimal effort.

By the end of the decade, there may be a widespread shortcut. The National Collection of foxgloves is associated with Terry Baker at Rookery Nursery, Atworth, Melksham. From a local Wiltshire garden,

Informal planting welcomes plants which seed themselves

he is offering a foxglove called Glory of Roundway which is apricot pink, about two feet high and perennial. Plants are not available by post but if this oddity catches on, it will have a good future.

Meanwhile, it is back to the seed packet. Seeds of white foxgloves are widely available, but you need to know their little secret. They will intermarry with every other colour on the glove-stall, but when the seedlings are a month or so old, watch out for those which are showing a purple flush on the stems or leaves.

They will grow into purple flowers, not whites, and should be thrown out at once, in order to keep a white majority by apartheid among the foxglove family.

This summer, we have seen these plants' supreme virtue: they are able to stand up without supports in heavy rain.

At a lower level, I have hit on a happy companion which is foxy in a different sense and much less common in informal gardens. The family of codonopsis is not widely known, but I can picture its best varieties at home in the Himalayas where their pale blue bells must stand out against a sky of rarified blue. Almost all the forms are worth growing, but the climbing Codonopsis Vinciflora and the clear blue forrestii are special.

They look like impressive rarities, specially if you examine the insides of their hanging, pale flowers: their inner gloves are ringed with markings of orange, brown and black, as if they had been fingered by an unexpected fox. It is their scent, however, which is foxy in the strongest sense.

A codonopsis usually dies quickly down after flowering, but if you are nearby when growth is starting again, you cannot miss the plant's position. One touch of it will scent your sleeve and half the flower bed, the authentic scent of what a farmer described to me on a mindlessly cold day last January as "one of the bushy-tailed jobs".

Seeds of some good codonopsis are stocked by Chiltern Seeds in Cumbria: I recommend the family as an easy subject for anyone who likes informal formality and wants to be different. The result is usually a lightly trailing canopy of grey-blue stems up to two or three feet high which will appear usefully through spring flowers which have passed their best. We all know foxgloves, but we forget these fox-scented companions for them.

They are completely hardy, lime-tolerant, easy and in spite of their popularity in Scotland, are flourishing with me in the south after two years of drought. They start to seed their foxiness around the garden in a harmless way: I cannot imagine why we make so little of them, except for conservative ignorance and a wariness of plants which vanish after flowering and are not in a strong, familiar colour.

An inspiration to gardeners

THERE IS a garden in Essex, well known in that county yet totally unknown to most garden lovers in other parts of the country, which almost perfectly expresses what good gardening has been about for 30 years.

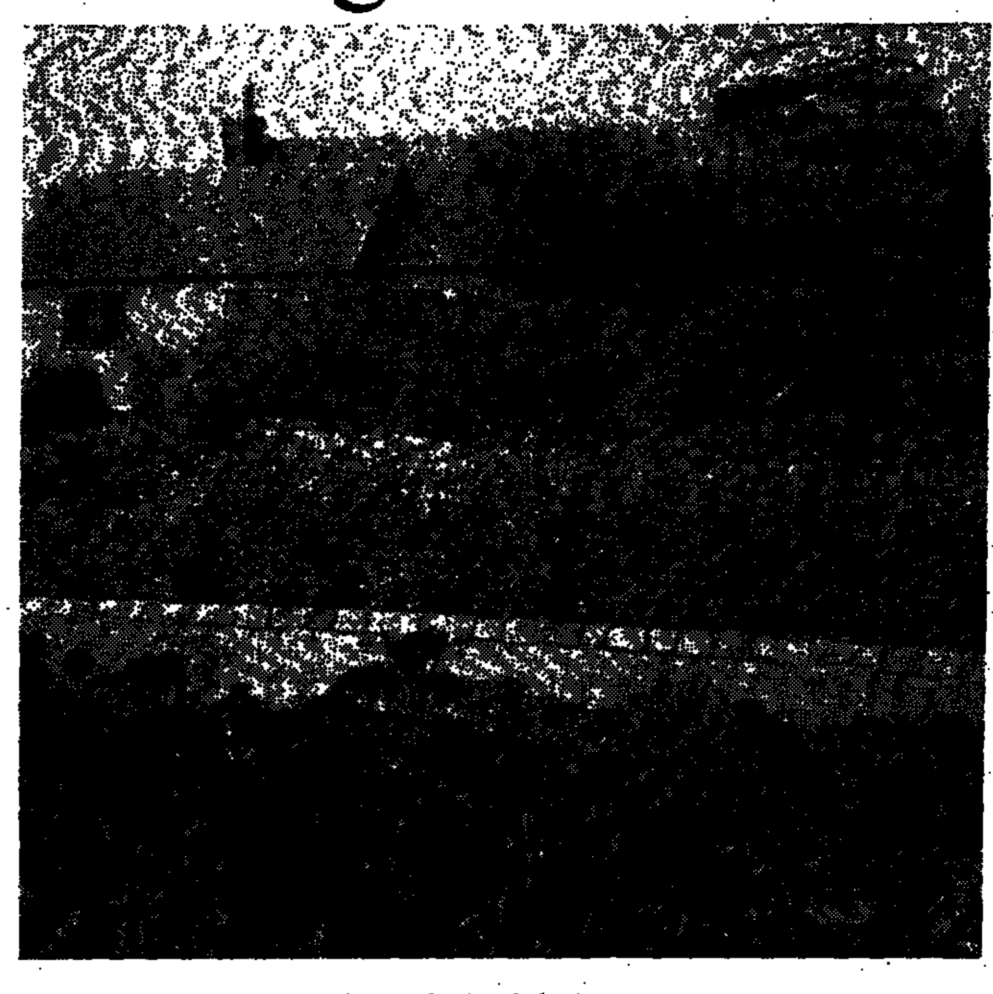
It is called Hyde Hall, an 18th century, timber-framed, lath and plaster farmhouse. It must have been preceded by a much older building for there are the remains of a Tudor stable outside.

Dick and Helen Robinson came to Hyde Hall in 1955 to farm and it is still a working farm although the Robinsons retired in 1974 and the land and farm buildings are let. It stands on top of a small hill in typical south Essex country, gently rolling and not well protected with trees. When the Robinsons arrived there were just six trees and no garden. Today there must be at least 1,000 trees and a series of densely planted gardens as well looked after as any I know in England.

Helen has always been the prominent one in the garden but Dick, working quietly in the background, has his own favourite plants, including rhododendrons. He is expert in many others and knows as much about the garden and derives equal pleasure from its success as his wife.

There are many things that astonish me about Hyde Hall, apart from the quality of the gardening. This hopelessly exposed site should be impossible to grow any but the hardiest plants. But it grows a great many that are rather tender. Fremontodendron California Glory, for example, abutilons in variety and the difficult big-leaved rhododendrons including fabulous R. macabeanum with monster trusses of cream flowers – this in a soil and situation completely unsuitable for rhododendrons. In fact the first the Robinsons planted died but that simply spurred them to plant the necessary evergreen trees for shelter and create an acid soil where previously there had been an alkaline one.

Helen says that you have not really got a garden that you can call your own until you have some self-sown seedlings. These they have in plenty; self-sown aquilegias and pulsatillas in a garden they made on that old Tudor stable floor, self-sown cyclamen in many not too densely shady places, self-sown hellebores and many more.



Hyde Hall, Essex: it's what good gardening is all about

But the most astonishing sight of all when I visited Hyde Hall recently were self-sown plants of Eremurus Robustus. For those unfamiliar with this majestic plant let me explain that it comes from mountainous regions of central Asia where climatic conditions can be impossibly extreme, that it has extraordinary fleshy roots spread out horizontally like a cartwheel, and boasts 7 ft or 8 ft flower stems covered for as much as 4 ft by their beautifully pale-pink or white flowers. Those at Hyde Hall are slowly taking charge of a large area of old roses. There must be more than 100 of them all self sown. I have never seen anything like it but most of all I admire the wisdom of the Robinsons in letting the plants grow just where they germinated, inconvenient though this may seem in other ways.

If the Robinsons have a speciality it is roses. They grow over 1,000 varieties and they are just as happy with the modern ones as they are with old-fashioned roses which they probably grow in about equal numbers. An idea I like very much is what they call rope walk roses; a long row of posts joined by rope. Climbing roses are trained along the rope, pillar roses and clematis are trained up the posts and modern bush roses are planted between them, the whole producing a continuous screen of flowering plants. It is both novel and highly effective.

They also grow one of the National Collection's of malus, or crab apple and also viburnum. There are two pools, one the original farm pool now well planted with water lilies and other aquatics and waterside plants. There is also an unusual mixed border divided into sections by yew hedges and a rock garden, a heather garden and an arboretum.

In a totally different area of the garden, where once they kept pigs, there is a large area where most of the ornamental apples grow plus more roses including many of the modern varieties that have the old-fashioned look.

There are also fine shrubs here and a weeping cedar which has been allowed to do just that from the moment it was planted. There is also a greenhouse for alpines and another used mainly for Australasian and Mediterranean plants.

In 1976 the garden was set up as a charitable trust which ensures its future.

The objectives are the cultivation and propagation of all kinds of garden plants, particularly those new to Britain, and the presentation of both classical and new horticultural practices to amateur gardeners and young professionals. It already attracts about 30,000 visitors a year but is worthy of treble that number.

■ *Information: Hyde Hall is in Buckhatch Lane, Rettindon, Essex, off the A130 from Chelmsford to the main Southend road near Wickford. It is open from April to October on Wednesdays and Bank holidays from 11am to 6pm and on Sundays from noon to 6pm.*

Fishing

Summer, and other disasters

IT IS SOMETIMES said that adversity is good for the soul. I am inclined to keep an open mind on the question. But if it is true, I should be spiritually twice the man I was before the start of the trout fishing season.

I am not complaining, you understand. No one likes a whinger. I am merely recounting certain experiences in what I trust will be a balanced, factual manner. If there is a lesson from them – for instance, that a malignant fate has got it in for me – I shall leave others to draw it.

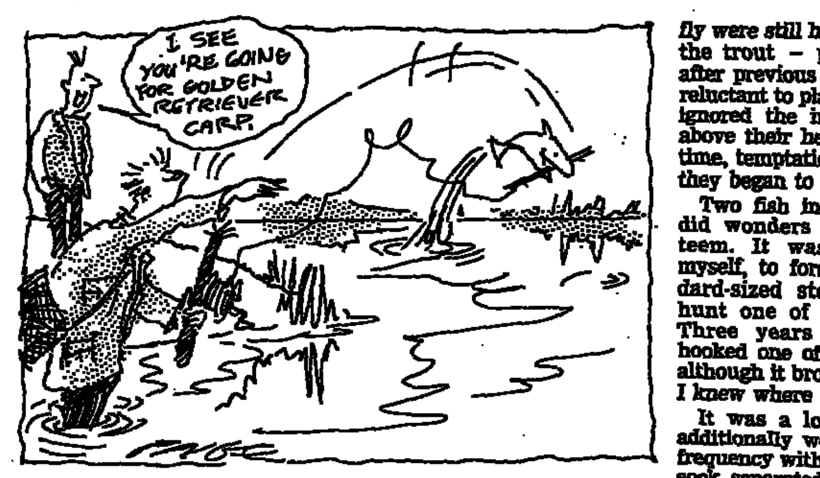
Like many tragedies, it all began so brightly – in my case, with an invitation to fish the Test. Although I had seen the most celebrated trout stream in the world often enough – and marvelled at its beauty, if not at the way most of it is run – I had never fished it before.

The weather was blissful, the company splendidly congenial, the lunch an irresistible invitation to lingering excess, and the fishing excellent fun.

The water was thick with trout (many of them reputedly fugitives from the intensively stocked Orvis beats above). If I am honest, I must say that they were almost over-obliging in the matter of taking the fly. Six to my rod by lunchtime was a reflection more of simple-mindedness on their part, rather than any skill on mine.

By the time I visited my local river, the Kennet, a few days later, the mood of the month had changed. No darling buds here, and precious little merriment; just a strong wind from the north and a sky like granite.

There are, in fishing, two species of bad summer weather. In the first half of



June the weather was foul, but usefully foul, in that it poured with rain. But conditions in most of May combined all the discomfiting effects of cold and lack of sunshine with a total lack of the rain so desperately needed.

The Kennet was not happy. The water was at mid-summer level, but with that cheerless metallic darkness of winter, and showing no growth of weed. I walked virtually every yard of the fishery, both main river and side streams. There was no hatch of fly, no sign of fish, no inducement to cast.

A week later conditions were a little more encouraging. I had been told that the mayfly hatch – which can normally be relied upon to stir the trout into a frenzy of feasting in late May and early June – might have begun. It had not. But there were a few mayfly abroad, like heralds charged with sending out the invitations to the table. And the odd fish was moving.

I saw one surface greedily below a line of lime trees on one of the carriers, and with my second cast caught it. The old touch is coming back, I thought.

Then I spotted a movement beside the bank, where a branch from one of the trees swept low over the water. It was tricky to get the fly under the leaves and over the fish's nose. I was congratulating myself on bringing it off when the nose appeared, and the fly disappeared. I struck, and a sizeable trout burst into an invisible weedbed and broke me. I saw no more fish that day.

I contrived to miss most of the mayfly season. Others managed things more sensibly. When I returned, a glance at the records book in the fishing hut revealed the usual glut – including two six pounders, one caught by a guest! I ground my teeth. I have never even managed a four pounder.

But there was still a chance. The river was now looking more itself and where the trees gave protection from the blasting north-west wind, the mayfly were still hatching. Initially the trout – perhaps bloated after previous gorging – were reluctant to play the game, and ignored the insects fluttering above their heads. But after a time, temptation prevailed and they began to feed.

Two fish inside 20 minutes did wonders for my self-esteem. It was time, I told myself, to forsake these standard-sized stocked fish and hunt one of the leviathans. Three years before, I had hooked one of the giants; and although it broke me in a trice, I knew where to go.

It was a long walk, made additionally wearisome by the frequency with which my right sock separated itself from my foot inside my wader (why the other one should have stayed on is just one more of life's amusing little riddles).

When I finally reached my destination, I realised at once that the effort had been wasted. The wind – which I had fondly imagined was dropping – was as as strong as ever , blowing straight downstream. There was no fly, no sign of trout.

The climax to the tragedy is simply told. I saw what might have been – but probably was not – a rise. I cast at at it. The wind blew my fly into a bankside plant. I pulled at it. It wouldn't budge. I pulled harder. My rod, a split-cane Sharpe's Scottie which has been my companion these 20 years, snapped clean in two, beyond hope of repair.

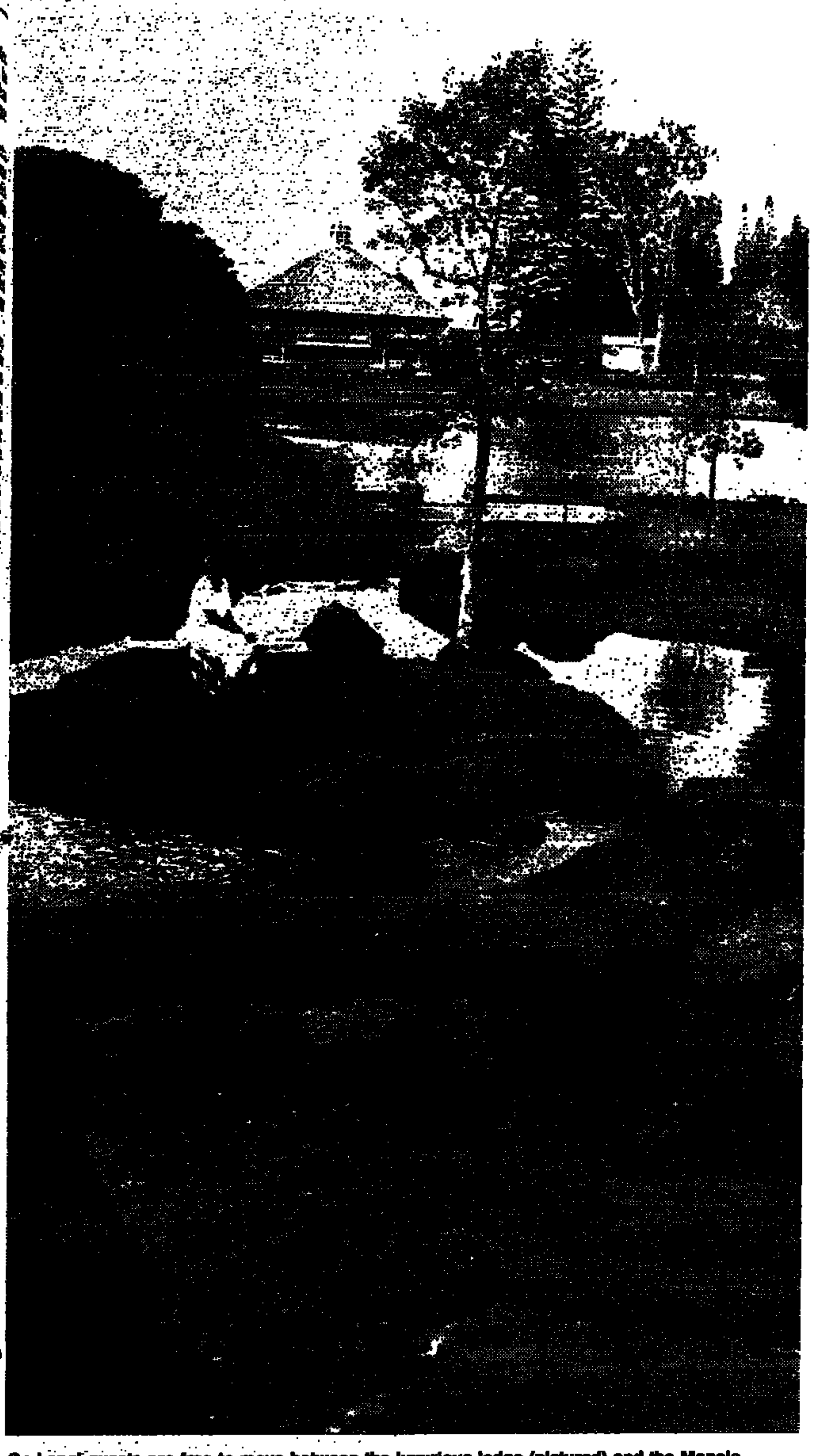
I went home and kicked the dog. It was high time, I thought, for some other creature to endure a little adversity.

Tom Fort

TRAVEL

Paradise at $1,000 a night

*Will money win out over pineapples in sleepy Lanai? wonders **Alan Ponsford***



On Lanai guests are free to move between the luxurious lodge (pictured) and the Manele Bay Hotel, signing as they go. The golf courses promise to be spectacular

VIRGINIA seemed to say it all.

"You can stand up straight, out of the sun and the rain, talk to new people. It's much better."

What it beat was answering the 5am whistle for a back-breaking day, bending close to the red earth, cutting the spiky pineapples. Virginia – dignified, smiling – was our waitress for our first dinner at the Lodge at Koele. We thought she represented what was happening on this island of Lanai (pronounced *Lan-eye*), the new and almost certainly last frontier of Hawaiian tourism. But time was to disclose wider perceptions.

Of the six inhabited Hawaiian islands, Lanai is the second smallest but is still as big as the Isle of Wight. Until last year it slumbered, oblivious to the frenzy of the visitor industry growing across the waters.

Only the even smaller Niihau remained more private, long owned by a single family who cosset a few hundred native Hawaiians, preserve their language and exclude the outside world.

It was not until the 1960s that the volcanic mid-Pacific emerald isles saw a steep take-off in tourism which rapidly transformed the languid, colonial charm of Honolulu, on Oahu's south shore, clustering it with a gleaming Manhattan-style skyline dotted with palm trees.

As the tide of hotels and condominiums flowed into the so-called neighbour islands, Maui, the "Big Island" of Hawaii and Kauai sprouted luxury resort areas. Molokai was less invaded.

Many of Hawaii's 6m invaders a year crush into the hotels clustered around Honolulu's Waikiki beach on Oahu. Within a few minutes' walk, though, is another world, that of the locals at play on the ample expanse of Kapiolani park. There families picnic, jog, make up casual baseball games, fly kites and throw footballs around. And, to our recent amazement, the several soccer pitches are occupied by pretty schoolgirls, earnestly attending their male coaches. Further afield, visitors who rent a car or ride the public bus ($1.20 to go round the island) find plentiful tastes of Oahu beach and country life.

Nevertheless, it is glitzy Waikiki that packs them in: fat women learning the hula, men in baseball caps sucking dayglo drinks, whiffs of coconut-oil sunscreen, tall palaces that sleep labelled conventioneers and serve dinner at six, stretched limos, souvenirs made in Taiwan, acres of cheerful shirts and a packed beach reddening bikinied cheeks by unshaven jowls. Lots of people have a great time.

In the neighbour islands, low-rise, discreet high-quality hotels have of late been dwarfed by strident establishments competing through size and gimmickry for recognition as (their words) "self-contained fantasy resorts" or Disneyland lookalikes, according to taste.

We had sampled them last year. At the Hyatt Regency, Waikoloa, on the Big Island, we commuted from room to lobby on the monorail train and a "gondola" that glides on a track submerged in a make-believe canal. We craved "human interaction" with real dolphins in a man-made lagoon; alas, the "dolphin encounter" was over-subscribed.

The 850-room Westin Kauai had taken a different route over the top. Immense reflecting pools were presided over by monumental leaping horses and embraced by Athenian columns and porticoes.

Thus it was that this year, house-sitting in our usual Honolulu base-camp below Diamond Head, we learned with apprehension that the Lodge at Koele resembled "a genteel country estate" with "both English and American croquet courts," bowls and a great hall.

Happily, forebodings of pretsension were dissolved by reality. A cool 1,700 feet up, the long, low lodge has the bearing of a colonial plantation house. At its heart, the hall is, we had to concede, well... grand – a heavily-timbered, lofty sanctum with two-storey, log-burning fireplaces at each end.

Its trappings look like a lifetime's assembly from a score of ports: a triumph of Filipino, Victorian and Chinese treasures harmonised with a cacophony of rattan and antique furniture, carpets, mirrors, lamps, paintings and screens.

The delicate cuisine and the gracious turn-of-the-century New England-style bedrooms prompted curiosity as to whose taste and confidence were directing the island's new master plan. (It seemed churlish to wonder whether a library plus tea, trophy and music rooms, not to mention butler-serviced suites, did not imply a touch of over-the-top luxury.

You do not wait long for the answer. To the sound of rending forelocks, one word drops from every tongue: Murdock.

David Howard Murdock is chairman and chief executive officer of Castle and Cooke. He controls and aggressively directs this old Hawaiian company, which means he holds the destiny of Lanai and its 2,300 inhabitants in his palm. For Castle and Cooke owns all but 2 per cent of the island; its subsidiary, Dole Food, built its past on pineapples and paternalism.

When Murdock bought in six years ago he effectively appointed himself squire and lord of the manor of a near-feudal community, albeit somewhat *in absentia* in the Los Angeles office from which he conducts the enterprises that have made him one of America's richest men.

He it is who has decreed that Lanaian pineapples no longer pay and that the island, and the islanders, will henceforth turn to the care of visitors, plus some diversification of agriculture.

This is to be achieved with two hotels and two championship golf courses girdled by some 700 dream homes. The 102-room Lodge, opened last year, has just been complemented by the Manele Bay Hotel, nine miles away above the white sand, coral and clear water of the best beach, at Hulope Bay. It has 250 rooms and evokes a Mediterranean style, with winter views of whales spouting and diving. The two run in tandem. Guests move between them at will for a change of scene, ambiance, golf course and temperature, signing for everything.

The golf courses promise to be spectacular even by the standards of Hawaii's plethora of sweeping, velvety creations. At Koele we saw Greg Norman's first American design nearing completion, sculpted along a high, often misty plateau with ocean views and through an undulating valley. The course at Manele Bay (designer: Jack Nicklaus) awaits planning permits.

Castle and Cooke's commitment already runs to $360m (£219.50m) and a raft of laudable pledges. All displaced pineapple workers are guaranteed jobs. Many of the Lanaians, predominantly generations of Filipino immigrants, often shy and unsure of their English, have needed to be persuaded by counselling and training that their inherent friendliness and openness make them naturals for dealing with guests. Their first instincts have been for outdoor work or normally unpopular hotel backrooms like the laundry.

Every few weeks the formidable, 67-year-old Murdock swoops in aboard the company jet to check progress and fulfilment of his promises to minimise bruising of the island's environment and character. For visitors this should mean that the wooded mountains and canyons and jagged shore continue to invite solitary exploration and combing of beaches flotsam-strewn with rotting hulks and Japanese glass fishing balls, taking Jeep trails and paths that extend far beyond the mere 30 miles of paved roads. Historic sites display petroglyphs carved by early settlers and ruins of houses and graves recalling brave, proud Hawaiian kings, chiefs and warriors.

Efforts are promised to preserve much of the indolent essence of the island's only town, hyperbolically named Lanai City. This grid of modest streets is lined with humble, ageing bungalows with cool tin roofs and cluttered, tiny gardens. Its hottest spot is a simple clapboard hostelry, used by Jim Dole for company guests after the pineapple king bought the island in 1922. In recent years its ten bedrooms have accommodated the hunters who come in pursuit of the abounding axis deer.

David Murdock's apparent sensitivity and enlightenment extends to encouraging local artists to contribute paintings and murals to the hotels and to obsession with a large organic garden. Yet he is assailed by much scepticism, muted among Lanaians beholden to him and the company but clearly expressed in the Honolulu and national media.

Fears persist for the identity and nature of the island and its people, raising spectres of ice-cream parlours, shopping malls, McDonalds, hot-shirt shops and souvenir stalls. In Lanai City, where doors are rarely locked, heads are shaken at the thought of a virtually doubled population neatly bisected into a serving class and the ultra-rich, for this tropical paradise will not be for the impecunious. Daily room and suite rates already zoom from around $300 to nearly $1,000; green fees will be $100 each, and the houses will be marketed around the world as second, maybe third or even fourth homes at upwards of $1m.

Will diffident, unaffected islanders be tainted by avarice? Will the family spirit of the pineapple fields survive, values change, cultures die, rents soar, the entirely underground water supply suffice?

The most potent of all the speculation has Murdock ripening Lanai for sale, probably to the Japanese. Piercing the Murdock PR armour is difficult ("Mr Murdock only gives one interview a year and he's done that," his spokeswoman told me). However, a Honolulu columnist provoked him into an indignant denial some months ago.

The deluge of Japanese money raining down on Hawaiian hotels, golf courses and real estate is already controversial locally. As a result, speculation that they might acquire a whole island in a year when preparations are under way for the commemoration of Pearl Harbour is seen as macabre and rumoured to be potentially embarrassing to the Japanese government.

■ Air New Zealand flies from Gatwick to Honolulu via LA. Several American carriers connect from various points in mainland US. Lanai airport has been up-graded to take jets.

In London, the Hawaiian Travel Centre has a brochure and plenty of information, and also organises tailor-made holidays, including trips to Lanai: Marble Arch House, 66-68, Seymour St, W1H 5AF. Tel: 071-706-4142, fax: 071-724-9883.

Riders of the ridge

***Jonathan Hollins** cycles over the French Pyrénées*

IT CAN never be said of the border between France and Spain that it was a mere cartographer's whim. No neat, straight lines here. The Pyrénéan massif is an indisputably tangible band of granite some 280 miles long and a variable 40 miles wide, and the frontier unerringly follows its principal watershed.

It creates a ragged maze of valleys, ridges and mountain peaks stretching from the Atlantic to the Mediterranean like a welder's seam, secreting within its folds the pocket-sized cultures of its ancient communities.

To cycle along the length of the massif is not everybody's idea of a jaunt in the countryside and, in truth, the prospect incited a paradox of emotions. But the reality soon proved its worth with rewards of flawless vistas, unprovoked gestures of local hospitality, carless backroads and the wanton exhilaration of plummeting 3,000 feet on two belts of rubber.

We began at the Atlantic port of St Jean de Luz on the Basque coast and passed a couple of days in the foothills girding our loins for the more demanding terrain.

The individuality of the Basques is strongly felt: the high free-standing wall of the ball-game *pelote* towers like a shrine at the core of every village; place names are repeated in a language that contains more zeds than a beehive, and regional cuisine boasts an array of traditional recipes including a cake with the texture of vulcanised rubber. (Generally, the mountains proved to conceal a trove of gastronomic delights).

Steeped in homely comfort and the pungent aroma of roast boar, the Vieux Auberge at Port-de-Lanne brandishes a menu set to thwart the most rapacious of appetites.

After that, we plunged into the heart of the mountains to confront the first hurdle, the Col d'Aubisque, only to be assaulted half-way up by a thunderstorm and a disheartening sequence of solitary road-side signs. They stated, quite simply: bronchitis, sinusitis, pharyngitis, and *nez gorge* (literally "saturated nose"). It is thus that the ailing thermal station of Eaux Bonnes proclaims itself. Pinned down by the deluge in a hotel with sagging balconies and chocked bed-legs, we decided to bolster our health in traditional mode by taking the waters.

The baths were grandiose: columns, arches, gleaming marble floors, busts of local worthies. Beneath the words *Vieux Source* picked out in stained glass, a cheerful assistant thrust steaming tumblers into our hands and bade us drink. The water contains an array of invigorating substances but sulphur is the prime ingredient, aided, it is claimed, by a somewhat dubious brew of inert gases and thermal plankton.

The flavour was unspeakable. Reinforced by long immersion in a bubbling cauldron of the same, there was no doubt that for several days our group could be tracked over the mountain-tops by the rank odour of rotten eggs seeping from our bodies.

The French have an innate love of the cyclist – nourished annually by the *Tour de France*. Hoteliers entreated us to wheel our valued steeds across their immaculate dining room floors. Indeed, in one hotel they remained throughout breakfast. Drivers drew alongside on the long climbs bellowing encouragement or technical queries such as *"Combien des vitesses?"* whilst staring avidly at our gear-sets. And in the pâtisserie at Massat the jovial owner sloshed liberal quantities of rum on our babas to fuel an attack on the Col de Port.

In the picturesque abbey village of St Savin, where we stayed at a hotel policed by two geriatric sheepdogs, the ultimate homage was paid. A coach-load of grizzled men on the Lourdes circuit clustered around the bikes, blissfully indifferent to their various infirmities, counting cog teeth and guessing frame weights.

Biking is primarily a male obsession. On a Sunday morning, climbing the forested switch-backs of the Col d'Aspin, we were overtaken by strings of middle-aged businessmen with fanatical expressions on state-of-the-art racers. They were met on the col by their patient wives who whisked them away, sacrificing the prize of the descent for the traditional Sunday lunch.

Among the arrivals was a couple from Watford on a tandem. A tandem is the sort of ungainly beast that tends to incite the derision of other cycling enthusiasts, but this one was no laggard; indeed, it was handled by a skilled maniac. As we hissed down the other side gloating over the velocities flickering on our cyclocomputers, the tandem eased up and, with a hearty cry, sped past on the outer corner of a hairpin bend before disappearing from view. There was a momentary glimpse of the girl glued to the rear saddle, either high on tranquillisers or frozen in terror.

At the foot of the col in St Marie-de-Campan we eyed with respect a stone plaque commemorating a hero of the Tour de France. In 1913 Eugene Christophe damaged his frame on the Col de Tourmalet. Unable, under the old rules, to receive any assistance, he carried the crippled bike down into the village, sought out the blacksmith, borrowed his forge and under his guidance repaired the frame. He still managed second place. It was an act, as the plaque says, of "sublime willpower."

Certainly the infamous climb up to the Col de Tourmalet is no light undertaking, involving 4,200ft of ascent. Nor is it especially pretty: a barren, treeless valley scarred by haggard out-of-season ski slopes and topped by a desolate cutting. But among the endless messages of *"Bon Courage"* and *"Bon Allez"* daubed on the tarmac for the benefit of Tour de France competitors, a large incongruous "On Yer Bike Tebbit" raised a laugh.

Some cols induced a state of euphoria, such as the lovely *route forestière* up to the Col d'Artigascou, a single-track lane that tortuously claws its way out of a steep, tight valley before abruptly disintegrating into rubble, but which affords alluring views of distant glaciers lodged beneath jagged peaks.

Others were to be savoured. The gentle meandering ascent out of the Vallée de Bethmale took in deliciously dozy villages where rural dwellings remain ungentrified. Encounters with livestock were frequent.

Over the Col d'Aussieres we burst abruptly into a new world of wild fig, olive groves, prickly pears, herbs and mountain flowers. Slates gave way to pantiles, and the *Tramontane* gusted up the valley, harsh and fragrant. We were left in no doubt that beyond lay the Mediterranean.

Down we cycled, into French Catalonia, along serried rows of vineyard terraces, past trailers trundling to the press through small fortified villages huddled on their mounds and dominated by church belfries.

And so, after a thoroughly gratifying trip, we met the roar, bustle, heat and grime of Perpignan. We glanced somewhat wistfully at the tranquil peaks of the Pyrénées which seemed to beckon knowingly for our return. After all, there is always the Spanish side.

Spaniard tops the bill in Avignon

THE 45th Avignon Festival of the performing arts opens on July 9. In recent years this festival, directed by Alain Crombecque, has refused to rest on the laurels of the classical French dramatic heritage, beloved of its founder Jean Vilar. It is a long time since there was a production at Avignon of either Racine or Corneille. Last year's concession to the great tradition was a suitably sombre production of *Les Fourbéries de Scapin*, and that was the first work by Molière to be seen as part of the official Festival for a very long time. You are much more likely to witness a Spanish classic like *La Celestina*, a play by Shakespeare, Lessing or Kleist.

This year is no exception. The Festival will begin with a work now called in French *Comèdies Barbares*. It lasts for two long nights, described illogically as *Première Journée* and *Deuxième Journée*. This is a translation and adaptation by Armando Llamas, of the Spanish dramatic trilogy *Comèdias Bárbaras* by Ramón Maria del Valle-Inclán, to be directed by Jorge Lavelli for the Théâtre National de la Colline.

The original consists of three novels in dramatic form about a Galician Don Juan, last of the feudal lords, the whole over-flowing with heroism and violence; the *comèdias* have never been presented in their entirety anywhere before.

I shall be attending and reporting on this event along with other major productions of the Festival. But in the meantime who was Valle-Inclán and why is he being accorded this singular honour of a full-scale production in the Courtyard of the Papal Palace?

Ramón was a Spaniard from Alosa, Galicia born in 1866 who, as Gerald Brenan puts it, "turned up in Madrid and took his seat among the young writers in the cafes. He was very fantastic to look at, with a long, black, goat-like beard, not unlike the portrait of Lytton Strachey . . . but his conversation was even more fantastic than his appearance. Nothing could be gathered of his antecedents – for his stories about himself were too extravagant to be believed – except that he had spent some time in Mexico."

Even his name seems unlikely to have been the one he was born with. It was modelled on that of the French symbolist, Villiers de l'Isle-Adam who was one of his heroes. Ramón's first book to win him notoriety – the *Sonatas*, four long stories about the amorous conquests of the Marques de Bradomín, each one corresponding to a different season of the year – betrays the influence of his hero and of the fin-de-siècle ambience. In all, Ramón wrote 24 plays, 12 novels, seven story collections, three books of poems, and many translations. He married the actress Josefina Blanco and worked with her as a director and a playwright.

Valle-Inclán belonged to that famous Generation of 1898 that had such a fierce, regenerating effect on modern Spanish literature. We can see him as both a precursor of Brecht and of modern magical realism. He found a rich source of inspiration in Spanish history particularly that of the Carlist War of 1870 which served for several of his plots. His dialogue has at its best been described as being like flashes of lightning.

Experts on Spanish writing such as Brenan and Robert Lima his most recent champion in *Valle-Inclán: The Theatre of His Life* are undecided about which are his best plays but both rate highly the *Esperpentos* and the *Farsas* with their severe strictures on militarism and the exaggerated Spanish code of honour. They also single out for praise the barbaric comedies. Their performance in Provence is thus eagerly awaited.

Other playwrights who will be performed as part of the official programme of this year's Avignon Festival (which runs till August 2) include Heiner Müeller, Sirjacq, Novarina, Durif, Pieiller, Péjandier, Colin, Benedetto, Shakespeare. The festival brochure and booking form may be obtained from: Festival d'Avignon, Location par correspondence, B.P. 92 - 84006 Avignon Cedex, France.

Anthony Curtis

Peter Hayward, whose Don Giovanni is a worthless, shallow optimist in Tim Albery's staging of Mozart's opera

Blurred deconstruction of The Don

***Andrew Clements** reviews Opera North's new production*

FOLLOWING CLOSE behind his powerful, disturbing vision of *Peter Grimes* for English National Opera, Tim Albery's staging of *Don Giovanni* for Opera North is a similarly dour, dark-hued experience, but disturbing for entirely different reasons. With designer Ashley Martin-Davies, the world that he conjures for Mozart's *dramma giocosa* is baffling and tendentious, peppered with opaque imagery and with what appear at first view to be half-digested ideas. In place of the gleaming bright visions that characterised much of his earlier opera work there is nightmarish chaos; when things fall apart as they do for Don Giovanni, it all suggests, there's no use pretending that they'll collapse in a prettily ordered, ingratiating way.

In Albery's deconstruction exterior and interior are blurred just as effectively as period and place. Painted backdrops hint sometimes at Mediterranean landscape, a lurid sun descends to burn behind Anna and Ottavio during their colloquies, but the stage is dominated by a ramp that curves up to the right, a wall-of-death down which characters can slide (as in Elvira's first entry), or propel themselves more manically into the fray.

Delapidated armchairs furnish the space, providing safe havens for the characters – while Giovanni and Leporello dupe Elvira at the beginning of Act 2, the others are lolling around only a few feet away – formalising the dramatic shape for ensembles, or used simply as a way of purging the production of any traditional stage business. Giovanni eats his dinner (bread and wine) facing the audience in his armchair, and invites the Commendatore to do the same, so that they look like nothing less than pair of OAPs sitting to a frugal supper.

But there is a lack of coherence to the images, too much cross-cutting between them, and at times a simple dramatic illogicality, which finally fail to connect with a believable or rewarding dramatic world. Giovanni sings the Champagne Aria while dressing for the party that follows, carefully applying lipstick, rouge and eyeliner before slipping into a red evening dress; is that just a bit of fun (there's not much else in the production that is) or a serious suggestion that this is a man whose sexuality is utterly confused? The production never makes it clear, and similar, half-way interesting themes flit in and out of focus through the evening.

Robert Hayward plays Giovanni as a worthless, shallow opportunist, whose relationship with Leporello is based on a mixture of violence and homoeroticism, and who sang, like the majority of the cast, with more efficiency than musical style. Recitative in particular got short shrift, sometimes relegated to toneless patter or approximate *Sprechgesang* and never delivered with meaningful point; John Hall's Leporello is the main culprit, though there are hints elsewhere in his performance of a character far more fully comprehended than others in the cast. Both Helen Field's Anna and Jane Leslie Mackenzie's Elvira began uncertainly but gained steadily in musical assurance; Paul Nilon's Ottavio was a baffled, impotent supernumerary, who clearly could never quite come to terms with the emotional tangle in which he found himself. There was a strong, uncomplicated Masetto from Peter Snipp, tremulous Zerlina from Lynne Davies, and solid, unwavering Commendatore from Sean Rea.

The new production, sponsored by IBM UK Ltd, inaugurated Opera North's first visit to the newly refurbished Lyceum Theatre in Sheffield. It is a delightful, intimate auditorium, ideally suited to Mozart; voices project easily. The orchestra pit appears ample, and Paul Daniel conducted the score in overdrive, producing a coarse-grained texture that alternated with a laborious *espressivo*. The tension sagged badly in the middle of the first act, only to pull itself together for the finale. That really is Albery's single *coup* of the evening, a set-piece of threatening dissolution, with leering, groping guests who paw and pick at the masked strangers, and which runs rapidly out of control. But tearing the moral fabric into shreds is not enough, and the second act fails to elaborate or enhance the metaphor.

Dance Video

A happy exception to elephant-burgers

THERE WAS a time when "going to the ballet" meant a chance to see three one-act pieces during an evening. The well-made triple bill, varied in range and mood, was the delight of audiences. Now Opera House monumentalism, the tradition of evening-long works bequeathed to us by the 19th century, has so obsessed public taste with the idea of biggest as best, that people no longer think they are "going to the ballet" unless a full-length staging is on show. As a lamentable result, triple bills become financial – and hence artistic – liabilities.

A recent batch of dance videos suggests that recording companies are no less aware of this inhibiting public appetite for elephant-burgers. All the releases, save one, are of full-length ballets. The happy exception is *Paris Dances Diaghilev* from Teldec/Warner Classics, which offers four major survivals from the Ballets Russes repertory in performance from the Paris Opéra. *Petrushka*, *Les Noces*, *Le Spectre de la rose*, *L'Après-midi d'un faune*, are seen in respectable stagings, respectably danced, and well directed by Colin Nears. There is a gloss to these productions – admirable lighting, good musical accompaniment under Michel Tabachnik, Mr Nears' sure appreciation of the dance action – that compensates for the Opéra casts' somehow light-weight interpretations. *Petrushka* is altogether too polished to convey Petersburg's Admiralty Square in 1840, with its bustling crowds and raw, vodka-fired vitality, but *Faune* comes off well, thanks to Charles Jude's subtle physical presence, and the ravishing shimmer of the Bakst decoration. *Les Noces* has a few moments that make it seem as if it were intended for Fouquet's windows, but it is a masterpiece worthily recorded for us, and we should be grateful.

We must be very grateful for the other Teldec/Warner release, which brings us *Le Corsaire* from the Kirov Theatre, with the divine Altynai Asylmuratova as Medora and Yelena Pankova as Gulnara. The cast also includes Yevgeny Neff, Farukh Ruzimatov and Konstantin Zaklinsky (ineffably droll as the slave-trader). Colin Nears again directs – with the lightest, surest touch – and this romp is danced by the Kirov with such enthusiasm that pleasure is unalloyed. There are fountains, an animated garden, a Mickey Finn in a bunch of flowers, slaves, Kirov authority, and a stylish, well-lit, well played performance. Ask for no more – save perhaps that someone correct the identification of Margarita Kullik as a solo odalisque in Act III. The role is actually danced by Irina Chistyakova.

Pickwick Video offers a series of Japanese TV recordings, *The Bolshoy at the Bolshoy*, which capture much of the current Grigorovich repertory in performance from Moscow's great theatre. An immediate significance comes in viewing these ballets on the stage for which they were conceived. I have seen them all in other theatres, and in every case there was an inevitable diminution of effect owed to loss of space (and frequent loss of the orchestra: musical standards throughout these Bolshoy performances are of the highest and integral to their success). The videos also provide real illumination about Yury Grigorovich's artistic intentions, and his identity as Russian's leading choreographer during an extraordinary political period. He made his first big ballet, *The Stone Flower* in 1957; since 1964 he has been head of the Bolshoy Ballet, and through times of deadliest stagnation and in the latest convulsions of artistic thought, he has guided the company. The future must inevitably judge him as a man who helped shape and sustain a great Russian art in an era of immense difficulties.

The merits and sometime inscrutably oriental problems of these recordings are typified in the *Sleeping Beauty* film. Grigorovich's love for his Kirov inheritance (he is a Leningrader by birth and training) is clear in the respect he shows for *Beauty*'s text and structure. On the Bolshoy stage Petipa is honoured as the dance breathes, opens grandly out. Nina Semizorova is a brilliant ,if slightly un-nuanced Aurora; Alexey Fadeyechev is a princely Florimund at every moment. Nina Speranskaya is a radiant Lilac Fairy, and in Yury Vetrov I am happy to find again the greatest Carabosse I have ever seen, his reading a magnificent combination of bile, malicious glee and blazing authority.

But against the expansive grace of the company style and the orchestral playing under Alexander Kopilov, we must set the obtuse ideas of the Japanese director and producer, with camera angles and cutting that can be at times bizarre, with a quaint belief that curtain calls are to be savoured rather than elided in the editing room. These faults are at their worst in *Beauty*; the remaining Bolshoy videos seem less arbitrary (though not all faultless) in the Japanese idea of what to preserve and what to miss.

The *Swan Lake* is dull in that its leading figures, Alla Mikhalchenko and Yury Vasyuchenko, seem uninvolved with the drama or with each other. The huge outlines of the production, in swans and courtiers, are fine, but they frame a void. Three of Grigorovich's most popular creations – *Ivan the Terrible*, *Spartacus*, *Romeo and Juliet* – receive blazing central interpretations from Irek Mukhamedov. His genius is for extreme dramatic clarity allied to extreme physical power, and his Ivan is splendidly the tyrant, a mad visionary for whom Natalya Bessmertnova's lambent Anastasia is the only hope of heaven. His Romeo is all ardour for Bessmertnova's iconic Juliet; his Spartacus marvelously combines the heroic and the human, and he has a most touching Phrygia in Lyudmila Semenyaka, their duets intense in feeling as in physical shape. In all three ballets the Bolshoy's artists sweep us through Grigorovich's choreographic patterns – the huge dimensions of the stage, the urgency of the dance-style and the passionate involvement of the orchestra under Algis Zhuraitis compelling belief.

There is also a welcome recording of Grigorovich's *Stone Flower*, with its undervalued Prokofiev score. It was with this staging that the Kirov Ballet made its London debut in 1961. Its narrative is a gloss on the theme of *The Fairy's Kiss* and tells of a stone-cutter who must reconcile art with social (and socialist) duty. It may seem politically naif – remember Soviet art in the 1950s! – but Grigorovich managed to produce big classic ensembles, and an extended fair-scene that is the ultimate Russian folk divertissement. The staging looked markedly innovative in 1961; even now there are imperishable memories of the angelic Yury Solovyov, of Alla Sizova and Alla Osipenko in its leading roles. This new recording brings an unfamiliar but sincere hero in Nikolay Dorokhov, a radiantly innocent and exquisitely danced heroine from Lyudmila Semenyaka, and a commanding account of the magical Mistress of the Copper Mountain from Nina Semizorova. And the big fair scene in Act II suggests what the Bolshoy could make of Fokine's *Petrushka*. Pickwick Video, though, lets down its public by providing cursory and far-too-generalised précis of the stage action for these issues. Proper programme notes are not a courtesy, but a necessity owed to audiences.

Clement Crisp

Chess No 880:
1 Nxh5! Rxd2 2 Nf6+ Bh6 3 Rxh6+ Kg7 4 Rh7+ Kf8 5 Rh8+ Ke7 6 Re8 mate.

Brilliant ballet out of building blocks

AS HARALD Lander's *Etudes* races headlong to its close, with pirouettes and beaten steps, jumps and spins, crowding on each other, we can sense the dancers' adrenalin flowing. We can feel our own adrenalin flowing, so vivid the communication of helter-skelter excitement. *Etudes* is enormously clever in making ballet out of the building blocks of mere exercise – imagine a concert piece created from scales and arpeggios – and given with the the verve that English National Ballet showed on Thursday night at the Coliseum, it is an intoxicating sight. The key to its ultimate success, though, must lie with its three stars, and in Yelena Pankova, Thomas Edur and Jose Manuel Carreno we have an ideal cast.

Harald Lander's tribute to his own Danish inheritance is a little Romantic sequence wherein the ballerina must seem like the Sylphide. This Pankova does with such bewitching charm – and such wistful eyebrows – that ENB must surely revive Bournonville's *Sylphide* for her, with Edur, noble, elegant, sincere, as her James. For the bravura moments that follow, Pankova produces both the technical fizz and the stylistic distinction to convince us that this is the best champagne.

Edur is also revealed as a virtuoso for whom grace of means – steps beautifully light and secure; manner aristocratic – is as important as prowess. His colleague, Carreno, matches him at every arduous moment, and provides a vivid contrast of Latin fire to set the dance crackling with temperament. Long ago, Festival Ballet fielded a prodigious cast with Toni Lander, Flemming Flindt and John Gilpin. This present trio is no less splendid.

This triple bill had as its centre Christopher Bruce's *Swansong*. Though I find the ballet too extended for its own good, there can be no gainsaying the admirable force with which Koen Onzia as the prisoner, Matz Skoog and Kevin Richmond as the jailors, go through the exhausting procedures of interrogation and sadistic teasing. Done thus, with hair-trigger alertness and untiring physical skill, the drama is marvellously displayed by its cast. An intriguing sidelight on the piece – whose theme had heretofore seemed clear – comes with a programme note from Mr Bruce, in which he identifies a sub-text concerned with a dancer's eventual need to cease performing, to find the exit from his career that the prisoner finds in this staging.

About Ben Stevenson's *Four Last Songs* which completes the programme, little needs to be said. Richard Strauss's valedictions have led Stevenson to produce dances that look like a suicide pact taken by a troupe of depressive acrobats. Turgid, hideously designed, sodden with spurious emotings, this is an exercise in fake piety and maudlin sentiment which does not even have the merit of being full-blooded kitsch. It is pernicious anaemia as choreography, and it makes its cast look fatally debilitated.

Clement Crisp

Poet of the Orkney people

THIS YEAR'S Orkney Festival celebrated the 70th birthday of the island's Laureate, the poet George Mackay Brown. *Solstice of Light*, his historical litany of Orkney to music by Peter Maxwell Davies, concluded events; local actors paid tribute with two plays: *Witch*, his grimly enacted tale of medieval scapegoatism; and a nicely lit production of *The Road to Colonus*, with Alan Watters as an Oedipus/Everyman figure groping his way towards hope of salvation. Overtones of Yeats recalled his Celtic affinities rather than the Norse affiliations of his other work.

His publishers John Murray have just issued a new volume, *Selected Poetry 1954-1983* (£12.95), a personal choice by the poet which includes much of his writing not easily available hitherto.

Those unaware of Brown's writings – four novels (a fifth reached the publishers last week) have a treat in store. Partly an incomer ("Brown" is Scottish; his mother was a Sutherland Gaelic-speaker), George Mackay Brown is Orkney's most astute and articulate, though by no means only, voice. It is, however, a rich and unique voice. Not all Orcadians identify with it. He is stauncher at championing others' work (Rendall, Linklater, Edwin Muir) than his own, with which he frequently proclaims dissatisfaction, dismissing or axing whole passages. There are a few significant omissions and some changes, though small, in these reprints. The occasional poem, like "Jars" from *The Wreck of the Archangel* has escaped the self-censure.

His craggy style, often encapsulated in short, Haiku-like stanzas, is instantly recognised and as easily parodied: "Southern scythes leaned at the wall/Beard upon golden beard"; "And the boy found a wild bees' comb/And his mouse was a southern brightness"; "A spit of rain and a gull/In the open door"; "Tinkers at the door, keening, with cans"; "The road to the kirk/Is a road of silences".

As a poet of place Brown has few equals. Orkney's people and history, authentic or not, leap into life, not just in his charting of the Norse Earls of saga (kinsmen to Macbeth); or the saint-hero of his second novel *Magnus*, whose parallels between twelfth and a Kafka-like 20th century socio-political convenience cry out for a growing readership; but in the oddly believable communities of his first novel *Greenvoe* or the half dozen collections of stories, if in style now less florid, yet still often prose poems, of which his latest batch, *The Masked Fisherman*, rivals *A Time to Keep* as his best yet.

Like *Greenvoe*, his Buddenbrooks-style chronicle which prophecised an island community's dismembering mere months before Scapa Flow revealed its oil and uranium prospecting threatened to scour the West Orkney Mainland, *Magnus*' end reconciles deep pessimism with a resurrection hope that springs, Eleusis-like, from soil and seasons.

His real material is undertow – that "undersong of terrible holy joy" incanted by norns in an early poem: brute patterns of work, cohesion, survival (few lived beyond their 30s in Orkney's medieval townships); interactions of individual, community and domicile anywhere, anytime; the cyclic continuum between the generations and mutual enabling of life and death; strange interweavings of religion and rite.

These are root images.

The starkness of Eliot never loses its hold on Brown; Audenesque epithets fade out amidst his own robuster images. Amongst late poems it is the closing batch, like his tribute to "William and Mareon Clark, Inkeepers" (the tripartite form recalls Auden on Yeats) which grip the most.

Vinland is the new novel's current title: it suggests territory both old and new for Mackay Brown. Should it find favour with his publishers, there may yet be cause to celebrate his 71st.

Roderic Dunnett

Youth at the National

THE CURTAIN has just come down on the Royal National Theatre's third annual youth festival: the 1991 Lloyd's Bank Theatre Challenge. For three evenings this week the Olivier theatre staged nine productions, playing to packed, boisterous houses. Nine plays were chosen from over 200 youth theatre groups which entered the scheme for the prize of playing on a national stage and working with professional actors, directors and producers.

It was the biggest night of their lives, but their nerves stood up. The actors seduced the audience with enthusiasm and their energetic productions stretched the capacity of the large stage. People and props flew around, spilling onto laps in the front row.

Most of the productions were highly idealistic. There were condemnations of US action in Vietnam, social attitudes to disability, the death penalty, and the treatment of young offenders. Several of the productions examined class. Three of the plays featured mothers weeping over sons destroyed by uncaring societies; and two opened with a young man clutching a ghetto blaster.

Of the nine, I found three outstanding. *Beowulf Comes to Tiger Bay*, a rap musical from the Fitzalan High School in Cardiff, is a forceful reminder that theatre can be fun. Most of the time an impromptu riot was happening on a stage. This was drama with a message which managed to avoid preaching through the exuberance of the 34-strong cast.

A sharp-suited, ice cool narrator (Martin Cole) makes superb use of rap music to tell the story of how the "tribe" of Tiger Bay enlisted Beowulf to fight environmental degradation. A "wizard" (chairman of a multinational chemicals company) has cast a "chemical spell" over the residents of the Bay by promising them gold if they will let him use their water for his experiments. Mesmerised, they agree and the resulting effluent spawns two monsters who come out of the depths of the Bay to feed upon the terrified townsfolk.

The production, an ebullient subversion of traditional heroic epic, was an affirmation of women's strength. The heroine of this epic is a black woman; an African warrior. Lorraine Cole's confident, tough, black momma dominated the stage. The audience loved her. Racial stereotypes imploded: "No need to panic" Beowulf tells the white petitioner from Tiger Bay, "We're not going to eat you. What do you think we are? Savages?"

The simple three-piece set was evocative of the industrial waste-land which is Tiger Bay. Costumes underlined the multicultural message: Beowulf and her warriors appeared mainly in African tribal garb The monsters were huge puppets.

Another huge puppet starred in an adaptation of Oscar Wilde's *The Selfish Giant* from the Haymarket Young People's Theatre Leicester, one of the youngest companies. The giant, made of papier mache and floor mops, required five puppeteers. The cast's commitment saved this Christ myth from becoming schmaltz. There was little or no dialogue and there were no developed characters. The cast simply told the story in words and movement. The set consisted of what looked like metal coat stands (the trees); the actors wore black pyjama-like costumes.

Alex, from the Imp Youth Theatre Company of North Kesteven School in Lincoln, was a mystifying production. The members of the cast (who also wrote the play) had not bothered with a plot. They focused instead on the interaction between six characters on a camp site and in particular the mindless things they say to one another.

Alex, Nigel, Mick and Faye are Angst-ridden, dishevelled, but discernibly middle-class, young hikers suffering from the loss of "Allison" whose absence dominated their experience. When thy encounter the stiletto-shod, working-class Michelle and Tiffany a macabre drama plays itself out. I could not help laughing at Tiffany and Michelle who had spent a holiday at Butlins, spoke with broad northern accents, wore (probably cheap) scent and, worst of all, enjoyed sex.

In *Alex*, the men destroyed the women who were powerless to stop them, even when they understood what was going on (mostly they did not). However, the production was gripping and funny. The drama unfolded so that the audience was forced to engage with the enigmatic events. The jokes were well delivered, even if some of the laughs were guilty in retrospect.

Cathy Milton

TELEVISION

SATURDAY

BBC1

6.40 Open University. 7.30 Pinocchio. 7.50 Kissyfur. 8.15 The 8.15 from Manchester. 10.52 Weather.

10.55 Grandstand. Desmond Lynam introduces sporting action. 10.55 Cricket: The Third Test from Trent Bridge. Coverage continues on BBC2 at 3.25. 1.00 News. 1.05 Tennis: The 1991 All England Lawn Tennis Championships, including at 2.00, the Ladies' Singles Final. With commentary by Dan Maskell, Virginia Wade, Ann Jones and John Barrett. Timings are subject to change.

5.05 News and Weather.

5.15 Regional News.

5.20 Stay Tooned! Typical isn't it. Tony Robinson looks at how animators change real people and animals into cartoon characters.

5.45 The Flying Doctors.

6.30 That's Showbusiness.

7.00 The Les Dennis Laughter Show. Special guest Martin Daniels plays tricks with a penny.

7.30 Columbo.

8.45 One Foot in the Grave. Victor and Margaret's decorating goes badly wrong, they have disastrous results when they look after a pet tortoise and Mrs Warboys tries to revive Victor when she thinks he has made a suicide attempt. Comedy starring Richard Wilson and Annette Crosbie.

9.15 News and Sport; Weather.

9.35 International Athletics. David Coleman and Brendan Foster provide commentary live from Oslo as top athletes compete in the Dream Mile. Plus the 10,000m race and the javelin event.

10.25 Today at Wimbledon. Harry Carpenter introduces highlights of the ladies' singles final day and talks to the winner of the Challenge Trophy.

11.25 Film: Battletruck. Post-nuclear holocaust film in which a brutal ruler dominates a devastated and radioactive world by means of a monster battletruck. Starring Michael Beck and Annie McEnroe (1982).

12.55 Weather.

1.00 Close.

BBC2

6.50 Open University.

2.45 Mahabharat. The exiled Bhima encounters his son Ghatokacha and the monkey spirit Hanuman in the serialised Indian epic tale. (English subtitles).

3.25 Cricket and Wimbledon '91. England v West Indies. Tony Lewis introduces further live coverage of the third day's play from Trent Bridge, with match commentary by Richie Benaud and Jack Bannister. Plus live action from the men's and ladies' doubles from the All England Club. Commentary by Dan Maskell.

8.05 News and Sport; Weather.

8.20 Bringing It All Back Home. How the Irish ballads brought over by Irish immigrants affected American music styles. With contributions from the Clancy Brothers, Paul Brady and Mary Black.

9.15 Alan Clarke Dramas. To Encourage the Others, by David A Yallop. Dramatised reconstruction of the Craig and Bentley murder case of 1952 following two years' intensive research. Starring Billy Hamon and Charles Bolton.

11.00 Video Diaries. Brazilian film-maker Sergio Goldenberg turns the camera on his own family in Rio de Janeiro – a middle class, white, Jewish family consisting of a psychoanalyst, an architect, a doctor, a computer analyst and an engineer. With humour and irony, he illuminates the significance of an apparently ordinary way of life.

11.55 Cricket. England v West Indies. Richie Benaud introduces highlights of the Third Test at Trent Bridge.

12.30 Close.

LWT

6.00 TV Am. 9.25 Ghost Train. 11.30 A Beetle Called Derek. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.

1.05 LWT News; Weather.

1.10 World Sport Special; The Day.

1.45 Matlock.

2.40 Film: Jesse. Lee Remick, who died earlier this week, plays a nurse who fights to clear her name when she becomes the victim of an impractical medical system.

4.25 Universal Studios Tour.

5.00 ITN News; Weather.

5.05 LWT News; Weather.

5.15 MacGyver. Partners. MacGyver and Pete Thornton find themselves up against a world-class assassin whom they believed to be dead.

6.15 Bob's Your Uncle.

7.00 Stars in their Eyes. Look-alikes from Cheshire, Essex, London, Scotland and Wales.

7.30 The Two of Us.

8.00 Agatha Christie's Poirot. When industrialist Benedict Farley consults Poirot about his suicidal dreams, Poirot finds there is more to them than anyone could possibly imagine. With Joely Richardson and Alan Howard.

9.00 ITN News and Sport; Weather.

9.15 LWT Weather.

9.20 Film: The Penthouse. When a woman welcomes her old high-school sweetheart into her home, she finds that he is no longer the man she used to know. Premiere starring Robin Givens and David Hewlett (TVM 1989).

11.10 Spitting Back.

11.40 Shaka Zulu. Edward Fox and Robert Powell star in part three of the historical drama. When Shaka is stabbed by a would-be assassin, Dr Flynn saves his life. In gratitude Shaka gives Capt Farewell and his mercenaries the province of Natal and all its wealth; ITN News Headlines.

1.40 Bhangra Beat.

2.10 Wrestling; ITN News Headlines.

3.10 Film: The Hand of Night. A man visiting Morocco is drawn to a beautiful woman he meets at a party, but she turns out to be part of a mysterious sect. Horror starring William Sylvester and Diane Clare (1966).

4.50 The Hit Man and Her.

CHANNEL4

6.00 Early Morning. 9.25 Sing and Swing. 9.30 A Century of Childhood. 10.00 Check Out '91. 10.30 Wagon Train. 11.30 Australian Rules Football. 12.30 pm The Munsters.

1.00 Film: With a Song in My Heart. Biopic of singer Jane Froman who made a comeback after being crippled in a plane crash. Starring Susan Hayward and Rory Calhoun (1952).

3.10 Channel 4 Racing from Sandown Park. Including the 3.25 Trafalgar House Sprint Stakes, 4.10 Coral-Eclipse Stakes, and the 4.45 Sandown Stakes (Ltd H'cap). Introduced by Brough Scott and Derek Thompson.

5.10 Brookside.

6.30 Tour de France 1991. Prologue Time Trial, Lyon. Phil Liggett, Paul Sherwen and Gary Imlach present coverage of the unofficial start of the 1991 Tour, starting at Lyon.

7.00 The World This Week. A report on how M19, once Colombia's major left-wing guerilla group, has laid down its arms and now constitutes the third largest political force.

8.00 Kingdoms of the East. A visit to Hong Kong - a city known to millions, and yet, behind the glitter of the city lies an unexpected world of creatures that are as strange and colourful as the Orient itself. First shown on ITV.

9.00 Film: Au Revoir Les Enfants. Set in a Catholic boarding school in 1944 where a young boy becomes friends with a Jewish pupil, who is being hidden in the school by the anti-fascist headmaster. Louis Malle's autobiographical drama starring Gaspard Manesse and Raphael Fetjo (1987).

11.00 Talking to Louis Malle Film critic Philip French talks to arguably the most widely acclaimed, influential and popular European film-maker, Louis Malle, who reflects on his career from his early success in France to his more recent work in America.

11.30 The Oprah Winfrey Show. Frank and heated discussion between the members of a straight audience and Oprah's gay panellists.

12.25 My Brother Tom.

2.10 Close.

REGIONS

ITV Regions as London except at the following times:-

ANGLIA:
1.05 Anglia News and Weather. 1.10 Windsurf! 1.40 Brand New Life. 2.35 The New Candid Camera. 5.05 Anglia News, Sport and Weather. 5.15 The A-Team.

BORDER:
1.05 Border News 1.10 The Silk Road. 2.10 The Life and Times of Grizzly Adams. 3.05 The Doughgirls. (1944) 5.05 Border News and Weather 5.15 The A-Team.

CENTRAL:
1.05 Central News 1.10 World Sport Special. 1.40 The Flying Scot. 2.55 Scott of the Antarctic. 5.05 Central News 5.15 The A-Team.

CHANNEL:
1.05 Diary Dates. 1.10 International Yacht Racing. 1.40 Soccer in the 70s. 2.10 The Life and Times of Grizzly Adams. 3.05 The Vengeance of She. 5.05 Channel News. 5.15 The A-Team.

GRAMPIAN:
1.05 Grampian Headlines 1.10 Sealll 1.40 This is America Charlie Brown. 2.10 Coronation Street. 3.05 OSS 117 Double Agent. 5.05 Grampian Headlines. 5.10 Criomagan. 5.15 The A-Team.

GRANADA:
1.05 Granada News. 1.10 Hard Time on Planet Earth. 2.05 The 1991 Grundig Mountain Bike Challenge Cup. 3.05 The Spectacular World of Guinness Records. 3.30 McCloud: Bonnie and McCloud. 5.05 Granada News. 5.15 The A-Team.

HTV:
1.05 HTV News. 1.40 Behind the Mask. 3.30 UK Aerobics Championships. 4.00 Deep Blue Thunder. 5.05 HTV News. 5.15 The A-Team.

HTV Wales as HTV except:
No variations.

SCOTTISH:
1.05 Scotland Today. 1.10 Sealll 1.40 The Wonderful World of Disney. 2.35 Superman. (1978) 5.05 Scotland Today and Weather. 5.15 The A-Team. 9.15 Scottish Weather.

TSW:
1.05 TSW News and Weather. 1.10 Windsurf! 1.40 The South West Week. 2.10 The Man Who Wouldn't Talk. (TVM 1957) 4.00 Horse Trials. 5.05 TSW News and Weather. 5.10 Gus Honeybun's Magic Birthdays.

TVS:
1.05 TVS News and Weather. 1.10 International Yacht Racing. 1.40 Soccer in the 70s. 2.10 The Life and Times of Grizzly Adams. 3.05 The Vengeance of She. (1968) 5.05 TVS News and Weather. 5.15 The A-Team.

TYNE TEES:
1.05 News. 1.10 The Spectacular World of Guinness Records. 1.25 Matlock. 2.25 Horse Trials. 3.30 McCloud: Bonnie and McCloud. 4.50 Cartoon. 5.05 Northern Life. 5.15 The A-Team.

ULSTER:
1.05 Ulster Newstime 1.10 Wrestling. 2.10 The A-Team. 3.10 The Munsters Today. 5.05 Ulster Newstime 5.15 Magnum.

YORKSHIRE:
1.05 Calendar News 1.10 McCloud: Somebody's Out to Get Jennie. 2.35 Battleflag. (1977) 4.50 Cartoon Time. 5.05 Calendar News

S4C Wales as Channel 4 except:-
9.25 Slot Sadwrn. 11.30 Australian Rules Football. 12.30 Kabaddi. 8.35 How I Won the War. (1967) 10.35 Frank's Place. 11.05 Manhattan Cable. 11.50 The Oprah Winfrey Show.

SUNDAY

BBC1

7.10 Open University. 8.50 Interval. 8.55 Playdays. 9.15 Movable Feasts. 9.30 This is the Day. 10.00 Film: The Outcast. 11.25 Betty Boop Double Bill. 11.40 Bazaar.

12.05 Sign Extra.

12.30 Country File. John Craven introduces a report on acupuncture and homeopathy in animal medicine.

12.55 Weather for Farmers.

1.00 News; On the Record. The Rt Hon Nicholas Ridley MP offers a personal view of Margaret Thatcher's downfall and Sarah Benton examines the next challenge for Labour – to find radical policies for the consumer age.

2.00 EastEnders.

3.00 Dallas.

3.45 Barney Bear.

3.55 The World's Strongest Man. From Joensuu in Finland.

4.55 Safari UK. New series. Jill Dando visits the badgers in the Cotswolds, while Julian Pettifer explores the Wildlife, Conservation and Environment Exhibition at London's Olympia.

5.55 Masterchef.

6.25 News and Weather.

6.40 Titchmarsh's Travels. New series. Alan Titchmarsh begins a six-part series of journeys, exploring what the past has to offer the modern spiritual wayfarer.

7.15 Butterflies.

7.45 Come in Spinner. Concluding part. Claire's confrontation with Nigel leaves her dreams in tatters, forcing her to choose a dangerous course. Starring Rebecca Gibney and Lisa Harrow.

9.25 News; Weather.

9.40 Today at Wimbledon. Harry Carpenter presents highlights of this afternoon's men's singles final.

10.40 Heart of the Matter. In Northern Ireland, 99 per cent of pupils go to segregated schools, but plans are underway to place Catholic and Protestants under one roof.

11.15 The Days and Nights of Molly Dodd.

11.40 Making their Mark. Charlotte Fawley is renowned for her drawings of the ballet and her skill for capturing movement. During the Falklands conflict, she swapped the elegance of dance for the gritty reality of war and turned her talents to recording the daily events in the war zone.

12.10 Mahabharat. (English subtitles).

12.50 Weather.

12.55 Close.

BBC2

6.35 Open University. 12.00 Around Westminster. 12.30 pm Scrutiny. 1.00 Open University.

1.25 Sunday Grandstand introduced by Desmond Lynam. Including at 2.00 live coverage in front of an estimated 350m viewers in 71 countries of the 1991 Men's Singles Lawn Tennis Championship Final from Centre Court at the All England Club at Wimbledon . The last three finals have been contested by current champion Stefan Edberg and the German, Boris Becker. Will they be there again this year? Commentary by Dan Maskell, Virginia Wade and Ann Jones. Followed by the Mixed Doubles Lawn Tennis Championship Final, and motor racing from the French Grand Prix at Magny-Cours. Timings are subject to change.

8.05 The Redemption Song. Stuart Hall continues his exploration of the Caribbean world as he compares the diverse cultures of the impoverished Haiti and the culturally rich Jamaica. In this film he meets voodoo priest Andre Pierre and the legendary doyen of Jamaican dance, Rex Nettleford.

8.55 In My Defence. Eileen Atkins stars as suffragette Emmeline Pankhurst who was charged with 'unlawful conspiracy by inciting members of the Women's Social and Political Union to commit damage to the windows of shopkeepers'.

9.25 French Grand Prix. Highlights from Magny-Cours. Commentary by Murray Walker and James Hunt. Ayrton Senna, who started the season with four successive victories, leads the drivers' championship and aims to continue his success.

10.15 Film: Performance. James Fox stars as a vicious gangster on the run from his boss who has decided to eliminate him. To avoid the fate he hides out with Turner, a reclusive rock star living in Notting Hill. Starring James Fox, Mick Jagger and Anita Pallenberg (1970).

12.05 Close.

LWT

6.00 TV Am. 9.25 Fairy Tales: The Salt Prince. 10.45 Link. 11.00 Morning Worship. 12.00 Heartland. 12.30 pm LWT News Weekend.

1.00 ITN News; Weather.

1.10 International Rugby Union. Argentina v New Zealand, First Test; The Day.

2.10 An Invitation to Remember. An interview with the late Sir Bernard Miles, founder of London's Mermaid Theatre.

2.40 Film: Bless This House. There is trouble for the Abbot family when they get off to a bad start with their new next-door neighbours. Starring Sidney James, Diana Coupland and Terry Scott (1972).

4.20 Film: At the Earth's Core. The test run of a huge burrowing machine with its inventor and backer on board goes wrong and the travellers find themselves in an eerie twilight world. Sci-fi adventure starring Doug McClure, Peter Cushing and Caroline Munro (1976).

6.00 City Safari. Shot over a year in various locations throughout London, this film shows how wildlife survives in the capital.

6.30 ITN News; Weather.

6.35 LWT News; Weather.

6.40 Appeal. Holiday Care Service.

6.45 Castle's Abroad. Roy Castle visits Poland.

7.15 Trouble in Mind. Comedy starring Richard O'Sullivan and Susan Penhaligon.

7.45 Father Dowling Investigates. The fiance of Fr Dowling's friend is murdered, and further investigation reveals that she was a prostitute. With Tom Bosley.

8.45 ITN News; Weather.

9.00 LWT Weather.

9.05 Chimera. New series. When a young nurse leaves London to work at a remote private clinic in North Yorkshire, the sinister atmosphere surrounding the clinic's research centre makes her realise that all is not as it seems. Starring John Lynch and Kenneth Cranham.

10.05 The South Bank Show. Melvyn Bragg interviews Julian Barnes, author of award-winning novel Flaubert's Parrot.

11.05 Summer on the Estate; The Day.

11.50 The ITV Chart Show.

12.50 New Music.

1.50 Derrick; ITN News Headlines.

3.00 Pick of the Week.

3.30 Police Precinct.

4.25 Adventure.

4.55 The Magic Wok.

CHANNEL4

6.00 Early Morning. 9.25 The Sword of Tipu Sultan. (subtitles). 10.00 A Week in Politics – Second Reading. 10.45 Dennis. 11.00 The Beverly Hillbillies. 11.30 The Lone Ranger. 12.00 The Waltons.

1.00 Voyage to the Bottom of the Sea.

2.00 Film: Journey Together. An all-action aerial drama retracing the lives of US pilots during World War Two. Starring John Boulting, Richard Attenborough, Edward G Robinson and Bessie Love (1946).

3.45 Pete Smith Specialties. Dave O'Brien explores the problems of being a housewife in the 1950s.

3.55 The Best of For Love or Money. Reports on a French flea market, the remarkable expose of artist Huberti – the unknown cubist, and a special report on collecting sports memorabilia are among the highlights from the award-winning series.

4.25 Pursuit of Power.

4.55 News and Weather.

5.00 Family Pride. Brummie soap.

5.30 Tour De France 1991. Stage two - Lyon. The first road race is only a warm-up on this tour but a launch pad for early glory before the afternoon's team time trial.

6.30 The Cosby Show.

7.00 Fragile Earth. Australia's Mountain Cattlemen. Is driving herds of cattle to and from the alpine pastures of the Bogong High Plains destroying the landscape? This programme looks at the problems of conservationists and cattlemen, who cannot find a compromise to secure the traditions of the past 150 years.

8.00 Time Signs. Mick Aston delves into the archaeological evidence of Devon's Wolf Valley, which is soon to be submerged under a new reservoir.

8.30 A Sense of Belonging. For 2,000 years Jews have been dispersed throughout the world. This film looks at the history of Jews in Britain.

9.30 Go Fishing. Visiting Northern Ireland and the River Bann. With world champions Bob Nudd, Kevin Ashhurst, and John Wilson.

10.00 GBH.

11.35 The Street. New series. Following two policemen, Peluso, a street-smart second-generation cop, and his more cerebral partner, Scolari, on their difficult eight-hour shift.

12.05 Town and Country.

1.05 Close.

REGIONS

ITV Regions as London except at the following times:-

ANGLIA:
12.30 Farming Diary. 12.55 Anglia News. 2.05 Members Only. 2.30 The Royal Show. 3.00 Biggin Hill Air Show. 4.00 Cartoon Time. 4.10 The Amazing Mr Blunden. 5.00 Heirloom. 6.35 Anglia News and Weather. 9.00 Regional Weather. 11.05 The House of the Long Shadows.

CENTRAL:
12.30 Gardening Time. 12.55 Central News 2.05 International Sportsworld. 3.00 The Girl, The Gold Watch and Everything. (1983) 4.50 Cartoon Time. 5.00 Hard Time on Planet Earth. 6.00 Wheel of Fortune. 6.35 Central News. 11.05 Mutiny on the Buses. (1972)

CHANNEL:
12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Journal. 1.10 International Rugby Union. 2.05 The Wonderful World of Disney. 3.00 Cartoon Time. 3.10 The Amazing Mr Blunden. 5.00 My Secret Identity. 5.30 Heirloom. 6.00 Tell the Truth. 6.35 News. 11.05 The Human Factor. 11.35 Up the Junction.

GRANADA:
12.30 Jack Thompson Down Under. 2.05 Santa Barbara. 3.00 The Girl, the Gold Watch and Dynamite. (TVM 1983) 4.50 Cartoon Time. 5.05 Bullseye. 5.35 Coronation Street. 6.35 Granada News. 11.05 Prisoner: Cell Block H.

HTV:
12.30 Portrait of the Wild. 12.53 Weather for Farmers. 12.55 HTV News. 1.10 Heidi. 2.00 People on Sunday. 2.30 HTV Newsweek. 3.00 International Rugby Union. 3.55 Tiger of the Seven Seas. 5.30 Horse Trials. 6.35 HTV News. 11.05 Great British Isles. 11.35 Ski with Klammer.

HTV Wales as HTV except:
12.30 Survival - The First 30 Years. 2.00 Farming Wales. 2.30 Wales on Sunday.

SCOTTISH:
12.30 Scottish Books. 12.55 Scotland Today. 2.05 Way of the Lakes. 2.35 Bullseye. 3.05 The Pleasure of His Company. 5.05 Murder, She Wrote. 6.00 Scotland's War. 6.35 Scotland Today. 9.00 Scottish Weather. 11.05 Commonwealth Basketball Championships.

TSW:
12.30 TSW Farming Week. 12.55 TSW News and Weather. 2.05 Off the Hook! 2.35 Coronation Street. 3.30 The Hasty Heart. (1949) 5.30 The TSW Documentary. 6.00 Coach. 6.35 TSW News and Weather. 11.05 In the Heat of the Night.

TVS:
12.30 TVS News. 12.33 Agenda. 12.58 TVS Weather. 2.05 The Wonderful World of Disney. 3.00 Cartoon Time. 3.10 The Amazing Mr Blunden. 5.00 My Secret Identity. 5.30 Heirloom. 6.00 Tell the Truth. 6.35 TVS News and Weather. 11.05 The Human Factor. 11.35 Up the Junction.

TYNE TEES:
12.25 Land of the Dragon. 12.55 Regional News. 2.05 Way of the Lakes. 2.35 Highland Cross '91. 3.35 Who's the Boss? 4.05 Highway to Heaven. 5.05 Bullseye. 5.35 Coronation Street. 6.35 Regional News. 11.05 Prisoner: Cell Block H.

YORKSHIRE:
12.25 Heidi in the Mountains. 12.50 Calendar News and Weather. 1.10 The Wonderful World of Disney. 2.10 International Rugby Union. 3.05 Tiger Bay. (1959) 5.05 The Last Frontier. 6.00 The River Thames. 6.35 Calendar News. 11.05 *The Law and Harry McGraw.*

RADIO

SATURDAY

BBC RADIO 2
6.00 Graham Knight. 8.05 Ronnie Hilton. 9.00 Brian Matthew. 10.00 Anne Robinson. 12.00 Gerald Harper. 1.30 Jimmy's Cricket Team. 2.00 Ed Stewart. 4.00 Acker's Away. 4.30 Raymond Froggatt in Concert. 5.00 Cinema 2. 5.30 The Movie Quiz. 6.00 Bob Sinfield. 7.00 The AB Seaside Quiz. 7.30 Sequence Time. 8.30 Saturday Gala Night. 9.30 Easy Does It. 10.00 The Arts Programme. 12.05 Brian Matthew. 1.00 Night Ride. 3.00 A Little Night Music. 4.00 David Allan

BBC RADIO 3
6.35 (FM) Open University.
6.55 Weather and News Headlines.
7.00 Morning Concert.
8.30 News.
8.35 Haydn and Dvorak.
9.30 Record Release.
10.55 (MW until 6.30pm) Test Match Special.
11.20 (FM) Chamber Orchestra of Europe.
12.55 (FM) Words.
1.00 (FM) News.
1.05 (FM) Radu Lupu Plays Schumann.
2.05 (FM) BBC Symphony Orchestra.
3.30 (FM) Tuning Up.
5.00 (FM) Jazz Record Requests.
5.45 (FM) Mozart on Record.
6.45 Bagatelles.
7.30 The Birthday of the Infanta.
9.40 Bach via Busoni.
10.00 BBC Scottish Symphony Orchestra.
10.35 Domus.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News.
6.10 Farming Week.
6.50 Prayer for the Day.
6.55 Weather.
7.00 Today.
8.58 Weather.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Money Box Moneycheck.
12.25 I'm Sorry, I Haven't a Clue.
12.55 Weather.
1.00 News.
1.10 Any Questions?
2.00 Any Answers?
2.30 Saturday Playhouse.
3.45 Laughing God.
4.00 Musician at Large.
4.30 Science Now.
5.00 Conversation Piece.
5.25 Little Blighty on the Down.
5.55 Weather.
6.00 News; Sports Round-up.
6.25 Citizens.
7.10 Ad Lib.
7.45 Classic Serial.
8.45 Kaleidoscope.
9.15 Music in Mind.
9.50 Ten to Ten.
9.59 Weather.
10.00 News.
10.15 Open Mind.
10.45 Truth to Tell.
11.00 The Tingle Factor.
11.30 Parodies Lost.
12.00 News and Weather; Interlude.
12.43 Close.

BBC RADIO 5
6.00 News and 24 Hours.
6.30 Morning Edition.
9.00 On Your Marks.
12.00 News and Sport; Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport On 5.
6.00 News; Sports Round-up.
6.25 Citizens.
7.10 Cricket Scoreboard.
7.15 Talking Poetry.
7.45 Classic Serial.
8.45 International Athletics.
10.30 Black Museum.
11.00 Sport.
11.15 Fanshawe on Five.
12.00 Sport.
12.15 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:
6.00 Newsdesk. 6.30 Meridian. 7.00 World News. 7.09 Twenty-Four Hours. 7.30 From the Weeklies. 7.45 Mastersingers. 8.00 World News. 8.09 Words of Faith. 8.15 A Jolly Good Show. 9.00 World News. 9.05 Waveguide. 9.15 Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Here's Humph. 10.15 Letter from America. 10.30 People and Politics. 11.00 Newsdesk. 11.30 Meridian. 12.00 World News. 12.09 News About Britain. 12.15 Multitrack 3. 12.45 Sports Round-up. 1.00 Newshour. 2.00 News Summary; Sportsworld. 3.00 World News. 3.15 Sportsworld continued. 4.00 World News. 4.09 News About Britain. 4.15 Sportsworld continued. 5.00 News Summary; Personal View. 5.15 John Peel. 5.45 Sports Round-up. 6.00 Newsdesk. 6.30 From Our Own Correspondent. 6.50 Write On. 7.00 News Summary; Charlotte Bronte. 7.45 From the Weeklies. 8.00 World News. 8.09 Personal View. 8.25 Words of Faith. 8.30 Meridian. 9.00 Newshour. 10.00 World News. 10.05 Seeing Stars. 10.20 Jazz for the Asking. 10.50 Sports Roundup. 11.00 World News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary; Play of the Week: The Physicists. 2.00 Newsdesk. 2.30 Taking Issue Around The UK. 3.00 World News. 3.09 News About Britain. 3.15 Wimbledon Report. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 Newsdesk. 4.30 Stuart Colman's Record Hop. 4.45 The Learning World.

SUNDAY

BBC RADIO 2
6.00 Graham Knight. 7.30 Don Maclean. 9.05 Richard Baker. 11.00 Desmond Carrington. 2.00 Benny Green. 3.00 Sounds Easy. 4.00 Glynn Bragg. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Young Musician 1991. 8.00 Los Paraguayos. 8.30 Sunday Half-Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 When Swing Was King. 1.00 Night Ride. 3.00 A Little Night Music. 4.00 The Early Show

BBC RADIO 3
6.35 (FM) Open University.
6.55 Weather and News Headlines.
7.00 Morning Concert.
8.30 News.
8.35 Maestro de'Concerti.
9.15 Walter Klien.
10.15 Music Weekly.
11.00 A Modest Profession.
12.45 Table Talk.
1.00 News.
1.05 Your Concert Choice.
2.30 Beaux Arts Trio.
4.15 BBC Scottish Symphony Orchestra.
5.15 Opera News.
6.00 Collegium Regale.
7.00 Smetana.
7.30 Silenced by the Soviets.
8.45 BBC Welsh Symphony Orchestra.
10.50 BBC Singers in Helsinki.
11.30 JS and CPE Bach Gamba Sonatas.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News and Weather.
6.10 Prelude.
6.30 Morning Has Broken.
6.55 Weather.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 The Week's Good Cause.
8.55 Weather.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
12.55 Weather.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.30 The Radio Programme.
4.00 Analysis.
4.47 Time for Verse.
5.00 Down Your Way.
5.40 Great Lift Journeys.
5.55 Weather.
6.00 News.
6.15 The Village.
6.30 Europhile.
7.00 Against the State.
7.30 A Good Read.
8.00 Punters.
8.40 Reading Aloud.
9.00 Enquire Within.
9.15 The Natural History Programme.
9.59 Weather.
10.00 News.
10.15 Manna to Microwave.
11.00 In Committee.
11.30 Seeds of Faith.
11.45 Before the Ending of the Day.
12.00 News and Weather; Interlude.
12.43 Close.

BBC RADIO 5
6.00 World News and 24 Hours.
6.30 Meridian Reports.
7.00 Newsdesk.
7.30 Sunday Edition.
9.00 This Family Business.
10.30 Education Matters.
11.00 Festivals of Britain.
11.30 When in Germany.
12.00 News and Sport.
12.03 Open University.
2.00 Sunday Sport.
7.20 Open University.
9.00 Soundprint.
9.30 Dragnet.
10.00 Sport.
10.10 Across the Line.
12.00 Sport.
12.10 Close.

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CHESS

THE SICILIAN Labyrinth by Lev Polugaevsky (Pergamon, Vols 1 and 2, each £12.50) is a look at Black's most popular chess opening from the viewpoint of the tournament player. Polu is a Russian grandmaster and writer who has used the Sicilian almost exclusively and has contributed many ideas.

Volume 1 explains the mechanics of popular traps and home-brewed novelties, so it is specially useful at club and congress level. Polu used to write down all his systems in a secret notebook, which his colleagues found out about in unusual circumstances.

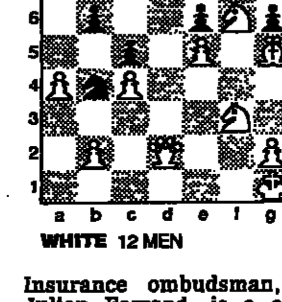
Boarding a train, he suddenly missed his briefcase with his precious variations. He leapt out of the carriage, ran down the platform, and recovered his fallen briefcase just as the train pulled out. His grandmaster friend could not understand why Polu was in such a state and asked "What's so special about losing a notebook?" Polu pulled out his brainchild and theatrically opened it at the page containing a brilliant novelty which had ambushed the great Bobby Fischer.

This week's game is a little-known brilliancy from Polu's book (M Tal, White; Anon, Black; Sicilian Defence; simultaneous display 1968).

1 e4 c5 2 Nf3 e6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 Nc6 6 a3 d6 7 Be3 Be7 8 Be2 a6 9 0-0 Qc7 10 f4 0-0 11 Qe1 Bd7 12 Qg3 Kh8? Better Nxd4 13 Bxd4 Bc6. Here and next move Black weakens f7, which becomes Tal's target. 13 Rad1 Rfe8 14 Nf3 e5. Else White himself advances e5. 15 Ng5 Nd8 16 fxe5 dxe5 17 Rxf6! Bxf6 18 Nd5 Qxc2 19 Nxf6 gxf6 20 Rxd7 Qxe2 21 Rxd8! Qc4. If Rxd8 22 Nxf7 mate, or fxg5 22 Bxg5 and 23 Bf6 mate. 22 Ne6! Ral foresaw this coup at move 17. If Qxe6 23 Bh6. fxe6 23 Rd7 Rg8 24 Qh4 Rg7 25 Qxf6 Resigns.

CHESS No 880

BLACK 14 MEN



WHITE 12 MEN

Insurance ombudsman, Dr Julian Farrand, is a chess expert who has competed in national tournaments. Here as White (to move) his queen is attacked. His reply won the brilliancy prize. What was it

Solution Page XXII

Leonard Barden

BRIDGE

Look at this grand slam from a rubber:

N
♠ Q 8 6 2
♥ Q 10 6 4
♦ J 8 5 2
♣ A

W
♠ J 10 9 5
♥ 9 5 2
♦ K 7 6 3
♣ 9 5

E
♠ A K 7 4 3
♥
♦ 10 9 4
♣ 10 7 6 4 3

S
♠
♥ A K J 8 7 3
♦ A Q
♣ K Q J 8 2

At game all South dealt, and opened with two hearts, and North's response of three hearts promised normal trump support and an ace. The opener showed his second suit with four clubs, and North bid five clubs to show his ace. That was all South wanted to hear, and his jump to seven hearts concluded the auction.

West's lead was the knave of spades. Ruffing in hand, declarer cashed heart ace, on which East discarded a spade, then crossed to the 10 of hearts, and cashed the club ace. He drew the last trump with his king, and ran king, queen, and knave of clubs, discarding diamonds from the table. Unfortunately with clubs breaking 5-2, South had to ruff his club eight, so there was no trump left for the diamond queen. He had to take the finesse of the queen – one down.

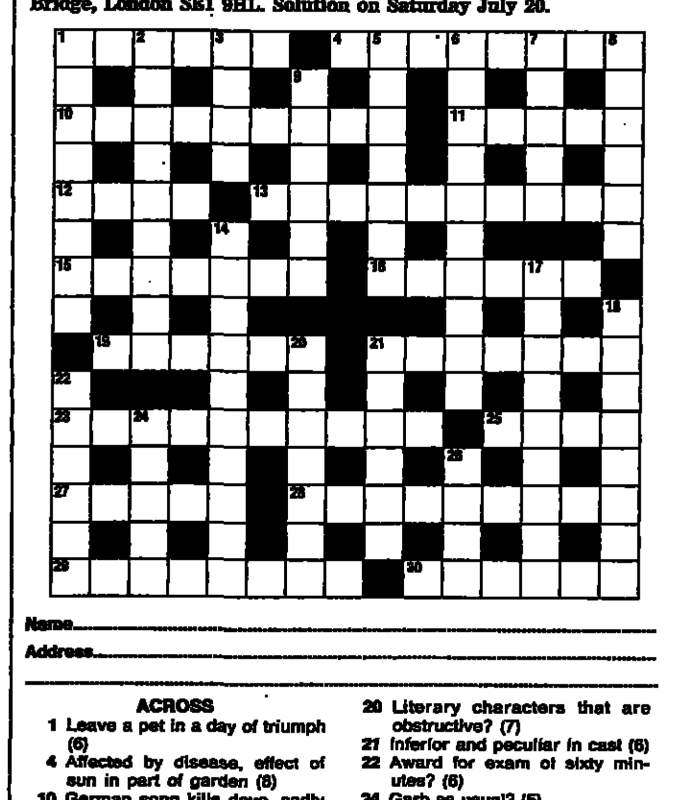
Unlucky, I admit, but there was a better way. South should ruff the spade knave with the heart seven, lead the heart eight to dummy's 10, then ruff a spade with his ace. He crosses to the ace of clubs, ruffs a third spade with his king, and leads the heart three to dummy's six. Now the last spade is ruffed with his remaining trump, the knave, and the eight of clubs is ruffed with dummy's four. The queen of hearts draws West's remaining trump, on which the diamond queen is discarded, and declarer crosses to his diamond ace, and enjoys the three club winners – a fine example of dummy reversal.

E.P.C Cotter

CROSSWORD

No. 7,587 Set by CINEPHILE

Prizes of £15 each for the first five correct solutions opened. Solutions to be received by Wednesday July 17, marked Crossword 7,587 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday July 20.



Name...

Address...

ACROSS

1 Leave a pet in a day of triumph (6)
4 Affected by disease, effect of sun in part of garden (8)
10 German song kills dove, sadly (9)
11 Some exam with lie detector brings banishment (5)
12 Prospect with point (4)
13 Cricket team takes extra exam (6,4)
15 Excise is part of customs, thanks to style (3,4)
16 Piece of armour is found among broken cues (6)
19 Exam or transaction (6)
21, 25 Award for exam requires learning .... (11)
23 .... or display (10)
25 See 21
27 Creature without scut becomes teacher (5)
28 Senior by genealogy provides home-made wine (5,4)
29 It takes a silly great idiot to be a herbivore (3,5)
30 Take feathers from your head, brave! (6)

DOWN

1 Up with cove that's bungled exam (4,4)
2 Hoarder of prayer and gold (9)
3 International exam (4)
5 Board game (6th century) maybe named after Beethoven? (7)
6 Permission to proceed lacking maturity and seriousness (5,5)
7 Exam in court (5)
8 Yes, doctors may be elegant (6)
9 Martyr not employed in railway (nor in government) (6)
14 Eglantine produces wet berries (10)
17 Push one curl out of place with acid (9)
18 Change of epoch: snoop around for prediction (8)
20 Literary characters that are obstructive? (7)
21 Inferior and peculiar in cast (6)
22 Award for exam of sixty minutes? (6)
24 Garb as usual? (5)
26 Exam in morals (no writing!) (4)

Solution to Puzzle No.7,586

D	E	C	E	A	S	E	D		P	H	O	B	I	A
R		U		I		M				U		E		S
O	U	T	B	R	E	A	K		C	R	O	C	U	S
O		L		M		N				D		O		I
P	R	E	T	E	N	C	E		C	L	I	M	B	S
S		R		N		I		M		E		I		T
					A	P	P	E	A	R	A	N	C	E
S		P		F		A		T		S		G		D
P	O	E	T	A	S	T	E	R	S					
R		R		L		E		O		P		B		O
O	F	F	I	C	E		A	P	R	I	C	O	T	S
U		O		O				O		E		N		T
T	I	R	I	N	G		F	L	O	R	E	N	C	E
E		M		E				I		C		E		N
D	E	S	E	R	T		A	S	S	E	N	T	E	D

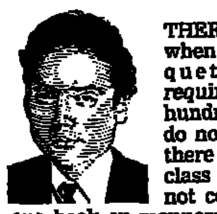
Solution and winners of Puzzle No.7,575

	S	H	O	C	K	T	A	C	T	I	C	S		
C		E		R		U		O		N		U		P
R	A	N	G	E	R	S		N	A	T	U	R	A	L
O		C		D		K		T		E		R		A
Q	U	O	T	E				P	R	U	R	I	E	N	T
U		O		N		W		A				A		I
E	X	P	E	C	T	A	N	C	Y		F	L	A	T
T				E		T		T		D				U
M	U	S	T		B	E	F	O	R	E	H	A	N	D
A		U				R		R		E		L		I
L	O	N	G	T	I	M	E			P	Y	L	O	N
L		L		E		E		O		B		H		O
E	T	E	R	N	A	L		P	L	A	T	E	A	U
T		S		O		O		A		T		A		S
		S	T	R	A	N	G	L	E	H	O	L	D	

H.H. Bush, Rumbling Bridge, Kinross; Mrs J. Jarvis, Stamford, Lincs; Dr G.D. Pickering, Glanmire, Co. Cork; R.J. Rogers, Bridgwater, Somerset; Mrs W. Woolman, Leicester. winners

Manners for the modern man

***Dominic Lawson** seeks advice on etiquette from his readers*



THERE WAS a time when books on etiquette were required reading. A hundred years ago I do not suppose that there was a middle class home that did not contain at least one book on manners.

I am not sure whether the same applied to the homes of the aristocracy. I imagine they just *knew*, or, because of who they were, good etiquette could just be described as what they did; almost by definition.

One is reminded of the social commentator who observed, when the then Prince of Wales, later King Edward VIII, began wearing brown suede shoes with his chalk-striped suits: "One would not normally recommend such dress, but as it is the Prince of Wales, it must be all right."

But for the rest of us an etiquette handbook would never come amiss. And yet, as I say, they appear to have died out.

A brief flicker of the ancient tradition remains in the pages of *The Tatler*, the middle-brow society glossy, which runs a column each month called Candid Counsel, in which Mary Killen gives usually excellent advice on how to get out of tricky social problems or irritations, viz Question: "I am horrified to hear that titles will no longer be used on the new European Community Passports. Mine is coming up for renewal, and I rather depend on the prestige my title affords me when I go abroad as people can't see what the point of me is otherwise. How can I get round this?" B. of London SW1.

Answer: "Don't worry. You can still leave your chequebook and card lying around or write cheques for tiny sums of money, leaving the book open for longer than necessary."

Very amusing. But this is a serious matter. My own particular etiquette problem of the moment, however, is one which even the old etiquette books that I have dusted off in second-hand bookshops seem not to deal with.

The problem is, how should one behave if one is unwell? I have been for the past week, which is unusual for me, and I have no idea how one should behave.

The ailment, I should explain, is fundamentally gastric, so the thing is unseemly, even disgusting from the start. The modern etiquette I am sure is that one does not simply retire to one's bed for the duration. The social ethos is now, in spite of Mrs Thatcher's fall, a hard-working one. To be ill in bed is infra dig, unless one is horrifically contagious, in which case etiquette dictates that one goes into quarantine. But what does one say *on the countless occasions during* the week when one is greeted with the customary expression "how are you?"

Easy to say "fine" but dangerous if you cry off a dinner later the same evening and one of the guests says to the disappointed hostess "well, that's strange, I asked him how he was this morning and he said 'fine'."

It is said that the main difference between Jewish and Gentile women is that if you ask a Jewish woman "how are you?" she will tell you the truth. But in a man such graphic descriptions of bodily malfunctions is somehow less endearing, tempting as it is to the male sufferer to abandon the stiff upper lip.

And then, what about the evenings? *Suppose, as I did,* that you decide not to allow the temporary frailty of your stomach and – the truth must out – your bowels to interfere with your social arrangements.

One cannot tell the hostess in advance that one is unwell but will come anyway, because there's nothing she can do except worry. But if you do not say, what will she make of it when a known gourmand – and I don't mean gourmet – turns his nose up at her food. One would never be asked back: and rightly. But if one bravely tucks in one is in great danger of – well it is obvious what one is in great danger of doing, and it doesn't bear discussing.

I know that a newspaper column is supposed to dispense advice rather than ask for it, but, really, I would be grateful for any suggestions.

■ *Dominic Lawson is editor of The Spectator.*

Private View

The player who fell on his feet

***Christian Tyler** meets a man who has had more than his fair share of hero worship*

"HE SITS astride his world with more ease and panache than most world leaders ... He is a gifted human being."

WHO IS this Olympian figure? Gorbachev? The Pope? No, it is Tony O'Reilly, chairman and chief executive of Heinz, the baked bean and ketchup company, as described last month by a columnist on the *Sunday Independent*. The *Independent* is an Irish newspaper controlled by Tony O'Reilly.

As a rule, big businessmen are very dull. Few acquire the celebrity status that this large Irishman has. But then few have had his early fame: as a rugby football international he won 29 caps for his country and scored a record number of tries for the British Lions.

No wonder the Press makes a fuss of the exception: so here is the curly-haired superman O'Reilly, the man who auditioned for *Ben Hur*, the first outsider to run Heinz, who carries eight briefcases, sleeps four hours a night and has an encyclopaedic memory; who is an intimate of the White House, and who, divorced from the mother of his six children, will soon marry the Greek shipping heiress and millionairess, Chryss Goulandris.

I asked him whether the flattery bothered him. After a long pause he replied: "Well I suppose it causes you to brace yourself for the natural riposte that he's not so good after all."

Do you yourself come to believe that you have the Midas touch?

"No. Absolutely not. I've made plenty of mistakes." (He seemed to be referring not to Heinz so much as to some of the investments he has made with his millionaire friends in Ireland.)

A few years ago the same *Sunday Independent* ran an entire colour supplement about him. There were photographs of him with Mugabe, Thatcher, Giscard d'Estaing, Kissinger and Sean Connery. I asked him whose idea it was.

"It was all about somebody else the week before," he said.

But eight whole pages on Dr Tony O'Reilly? "I was against that."

Why didn't you stop it?

"That's reverse nepotism. They said 'you're an interesting person. It doesn't matter that you have an interest in this paper. You are somewhat larger than life. Why are we going to be barred from writing about you?'"

So it wasn't your idea? "I objected to it strongly. But Ted Smith [his public relations man] said it was not fair to handicap your own newspaper."

Would you have tolerated it if they had said anything unflattering about you?

"I don't give a damn what they say in my papers. I believe it helps us."

Are you a vain man?

"We're all vain. I have developed a fine sense of self-disrespect. I know my weaknesses."

What are your weaknesses?

O'Reilly pondered and coughed. "Well. I think I'm an extremely poor user of time."

I thought you were meant to be able to do five different things in an hour.

"I don't think that's true. I think I do one thing for four hours and then try and do 24 things in one hour. This rather hysterical view of being able to keep all balls in the air at once is ... well, balls. I drop balls from time to time. And I'm easily imposed upon."

How do you mean?

"Well, I take on too much. I should be much sterner with myself."

Do you mean you are flattered into doing things?

Tony Andrews

"I like to think of it as a sense of prior obligation." He mentioned requests from old rugby friends, people like David Duckham and Don Clark. "It's what the Australians call mateship. That's the great thing rugby gave me. If you call that flattery ..."

When he was talking ratios and multiples, O'Reilly drawled like a true American CEO. On political matters he made sense, in a ponderous kind of way. Otherwise he was the humorous Irishman, goodnaturedly fielding impertinent questions. After I had quizzed him about his divorce and his intentions towards Miss Goulandris, he gallantly introduced me to her.

Does O'Reilly see himself as something more than a manager and investor? He talked about the toxin of Communism and the need of the Third World (or "disturbed world" as he calls it) to throw off its post-colonial aversion to capital. One sentence came, surely, straight from a speech: "the dissonance between the rhetoric of revolution and the architecture of finance I find in many of these countries quite dichotomous ...

He instructs foreign leaders in the meaning of the words Sinn Fein. "They mean 'ourselves alone' – they are the dogma of the early Irish state and the dogma of every state that emerges from the yoke of colonialism."

Most businessmen, he said, had a higher calling if, like him, they believed in the mixed economy. What was this higher calling, I asked: to keep capitalism benign or to exert more political influence?

Being rich, famous and not very shy, O'Reilly attracts envy and flattery

"One of the decisive ways of disarming the world is to feed it. The appetites of the consumer have been universalised by a thing called satellite television."

Did this vision of universal consumerism constitute a serious political philosophy?

"I think the universal consumer is the political reality of the future," he replied. "It will change the attitudes of leaders everywhere to the mobilisation of capital. After all, that's what has changed Mr Gorbachev."

If he has political ambitions himself, he would not admit to them. He said he was imprisoned by his duty to Heinz shareholders and to subscribers of his family holdings – Irish Independent Newspapers, Australian Provincial Newspapers, the industrial holding company Fitzwilton, Waterford Wedgwood, and the oil exploration company Atlantic Resources.

Being rich, famous and not very shy, O'Reilly attracts envy as well as flattery. I suggested he was too sensitive to the attacks of what in Ireland they call "the begrudgers".

"I'm not as sensitive as people might assume. Because I've been used to the abuse of the terraces. I mean, basically, I was a controversial footballer because I wasn't a snatcher-up of unconsidered trifles. I didn't rush around looking for the ball. I kind of waited for it.

"And I enjoy it. I enjoy the slagging mentality of the Dublin public. I suppose I'm saying that the true way to affection as opposed to false reputation is through being able to be slagged and to give as good as you get. It's hard to protect a contrived reputation in a small country. So you'd better be prepared to be abused."

At the age of 55 he is probably worth between \$300m (£187.5m) and \$400m. His salary from Heinz is \$3.6m a year and he has shares and stock options valued at \$175m. I asked if he was worth it.

"I'm uneasy saying whether I'm over- or under-paid," he said.

What do you feel yourself? You're an Irish boy, Jesuit-trained. Presumably from the age of five they were telling you this is how far you can go. Has that given you ...

"A sense of guilt?" He laughed.

Yes, guilt, why not.

"It sounds self-serving but my estate effectively speaks to a great number of young Irish men and women as a role model. Not just *making money*, but *making money* in an international arena which is highly competitive, coming from the same background as they." He included the other two of the Irish tycoon triumvirate, Michael Smurfit and Tony Ryan.

"That's extremely good for a small country like Ireland which is far too introspective for its own good, far too concerned about past gods that have proved extremely destructive to the fabric of Christian living within the country."

O'Reilly, whose hero is Parnell, is proud that he is not a narrow Irish nationalist. It is that which prompted him in 1976 to start the Ireland Fund, a lobby to counter what he calls the "simplistic, Brits out" solution to the Ulster problem. It aims to drum up support for a non-partisan peace among the 78m people of the Irish diaspora.

"They all have a vested interest and in my view a historical debt to Ireland – to help it through its agonies. All the freedom fighters, *the patriots have children*; they go abroad, they have wider horizons. In Ireland, I've always said, compromise is a synonym for surrender. In America, compromise is the catalyst that makes the system work."

So he opposes the nationalists: "the element that deifies our Celtic past uncritically and criticises our enormously enriching Anglo-Irish contribution.

"I *mean, the most extraordinary* contradiction is to hear an Irishman reviling Great Britain and then extolling the Congreves and the Wycherleys and the Swifts and the Goldsmiths.

"We talk of Wilde as our great writer, but Wilde would not have regarded himself as cut with the same cloth as the fellow in the pub who's saying (O'Reilly drops into cod Irish): 'We've a great way with words over here. Old Oscar's the same as meself, like, you know.'"

As a rich man, O'Reilly meets his obligations by conventional acts of patronage such as endowing colleges (and Heinz is sponsoring the rugby World Cup this autumn). He would like one day to set up an O'Reilly Foundation, to discharge what he called a "Carnegie-like responsibility to put back what we reap".

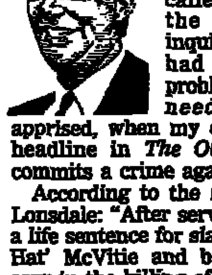
That, coupled with his industrial prominence would in Britain have certainly earned him a knighthood by now. He would love to have *something bigger than the "Doctor"* label his PhD in marketing lets him wear. "Lord Hanson has managed to combine both a huge salary and a title." He laughed. "I think it's an excellent system and every republican secretly admires it."

Meanwhile, the man who belongs to both the fogeyish Reform Club and to raffish Annabels, continues to enjoys the high life. He prefers to call it "gracious living."

"I suppose you might say I like to be associated with all that's good and gracious and elegant and forward-thinking in Ireland and not mired in that antique and bloody past that has so divided us."

Verse and worse

Michael Thompson-Noel



I WAS EATING my cornflakes last Sunday and had just called through to the kitchen to inquire if my kipper had encountered problems of which I needed to be apprised, when my eye fell upon a headline in *The Observer*: "Kray commits a crime against poetry."

According to the reporter, Sarah Lonsdale: "After serving 22 years of a life sentence for slaying Jack 'The Hat' McVitie and being an accessory in the killing of rival East End gangster George Cornell, the notorious Kray twin has turned to murdering the English language instead. He has written more than 100 poems."

Some of the lines quoted in *The Observer* were from a poem entitled 'Alone at Night':

Alone at night I stay
And it's the same throughout the day
I've begun to like it this way
I listen to my heartbeat
While most are asleep.

HAWKS & HANDSAWS

I don't know *about you, but in* my book those lines are not quite as meretricious as the *Observer* – a brave and generous paper, despite suffering from leucophlegmacy when asked to print craven apologies for upsetting no less a personage than His Excellency the Life President Ngwazi Dr H Kamazu Banda of Malawi – *implied in its story*.

To my eye, the notorious Reggie's lines have a spring and a skip to them, a certain ... *je ne sais quoi*. I am a bit of an expert in these matters, having acquired, just recently, a sterling collection of poems written by equally well-known people – captains of industry, politicians, economists, milliners, royalty, lighting consultants, people who run *nationalised industries, people who* run un-nationalised industries and whose perks and salaries, therefore, have acquired a lustre they did not formerly possess.

I am supposed to keep quiet about this material. Rival publishers are competing for it. But what I *am* prepared to do is offer you some tantalising extracts. Here, for example, are some lines from a poem by Lord Hanson entitled "What Shall I Buy Next?":

ICI was never on, of course,
Just a part of the honey trap,
A fiction, figment, ingenious ensnarement,
All a part of the honey trap.
The key to success, I have generally discovered,
As the years roll by, roll silently by,
Is to think of a fraction, an unthought fiction,
And then to think the opposite, closing fast the trap.

It is true Lord Hanson rather fluffs things with that weak last line, but I expect he is working on it. Here, rather differently, is a short poem by John Elfed Jones, chairman of Welsh Water, whose salary last year rose by 88 per cent to £143,000:

Hydrogen, oxygen.
Frankincense, myrrh.
Oxygen, hydrogen.
Pallor of royal gold.
Platinum, osmium.
Ermine's implacable sheen.

Tennyson it's not, and "implacable" defeats me; but the Welsh Water chairman's poetry has struck a chord with the sort of literati who pop in to see the *FT*'s Books Editor, I can tell you. Nor are they prepared to dismiss, harum-scarum, the work of prime minister John Major, who would be the first, I imagine, to acknowledge his debt to the bard of Stratford:

When in disgrace with colleagues and the polls
I all alone review my recent progress,
And speak to Chris of plans and charters,
And look upon myself through my new glasses,
Wishing I could command more positive attention,
For the brave ideas that I've been working on,
And will produce before the next election,
Stressing the spirit of continuity,
That is the bedrock of my administration;
When in these thoughts I find myself despairing,
Happily I think of Lord's – and then my smile,
Like to great Botham's, or even David Gowers',
Breaks forth, and holds at bay the showers;
With Lord's remember'd such joy brings
That Heath and Thatcher are reduced to mortal things.

Some of you may feel that the prime minister's poetry is not very good. But the stakes are enormous. I may polish his lines myself. In time, I have every confidence that John Major's poetry will endear him to a cosmopolitan audience. I am not quite so sure about Virginia 'Squeaky' Wade, the tennis commentator. In many ways, this poem conveys something of the horror of listening to Virginia for more than nine seconds:

How terrible for poor Martina,
To lose the match on a cross-court drop-shot,
Yet absolutely brilliant of up-and-coming Jennifer,
Who no longer plays like a silly little tot.

Finally – back to politics – here is an existential line or two from the defence secretary, Tom King:

Carruuummphhh!! Bazoommphh!!
Let free the tanks of war,
Let speak the mighty Stealth bomber
As it screams across the plain ...

On second thoughts, Tom King's poetry is so irretrievably rotten that I may well drop him from the collected volume of material in my possession. We wouldn't want him to let the side down.

Ten years of terror in an Iraqi jail

***Deborah Hargreaves** listens to an Iranian's account of his grim ordeal*

SEYYED MOHSEN YAHYAVI was in charge of Iran's oil installations in the south of the country when he was captured in the first month of the Iran-Iraq war at the same time as Javad Tondeguian, the oil minister. Yahyavi was set free in September after 10 years' in an Iraqi jail. Tondeguian has never returned. The Iraqis say he hanged himself.

"We were each kept alone in a room 6ft wide by 9ft long. It was very dark, the walls were covered with brown tiles. In order to read the Koran, I had to stand on some blankets and hold the book up to the only dim light in the room which was set in the ceiling.

"For 560 days, I was kept inside without seeing the sun or getting any fresh air. When I complained about the conditions, I was beaten by four men with a cable on my back and on the bony part of my feet. After that, I couldn't walk or kneel. In order to pray I had to lie on my right arm.

"After I had been on a hunger strike for 22 days, they let me go to the roof for some fresh air. I couldn't see anything – only waves of colour and when I took my shirt off my skin was red and rough like a new baby.

"But after that they let me up to the roof regularly and I wrote my name, position and date of imprisonment in the tar on the roof in the hope that another prisoner would be able to get a message to my family. I was not allowed to send any letter to my family the whole time I was there so they didn't know I was alive. I had a son born six months' after I was captured but I didn't know that.

"The person in the cell next door to me was a colleague. He had heard my voice when I was shouting about the conditions. He tried to communicate with me by knocking out my telephone number on the cell door. After that we worked out a complicated code of knocks for sending messages. It took me three months to learn it and suddenly it struck me. I would listen to the knocks and then write the words in soap on my wall. We had long conversations that way.

"I told my friend they had taken me to the roof and after that, he asked to go and they took him too. It was around this time they told us that Tondeguian had killed himself, but I didn't believe them. We wrote his name on the roof and left a space for his room number so that if he saw it, he could write it in. When I went back several days later, the room number was written in.

"Another way we communicated was by praying loudly. First they tried to stop us, but we shouted so much they let us carry on. Then we would talk to each other in the voices of the prayer and that's when I heard Tondeguian's voice so I knew he wasn't dead.

"We didn't speak Arabic at first, so it was difficult to communicate with the guards. But when we made progress in the language, we found they were quite sympathetic because they were Moslems and usually from small villages which are quite close to Iran. Our talk affected them and they began to feel ashamed of their government. They managed to give us books from time to time.

"In the last year of the war, they sent everyone to the front even those from government departments and many of our guards went.

"We didn't know what was happening in the war, but every time we heard an air raid siren we were pleased. We thought at least they haven't run out of missiles yet.

"I couldn't sleep at night because that was the time they would beat the Iraqi prisoners and they cried and screamed so loudly. They were trying to make them confess. There were so many in the jail – women and children as well as men – that some of them had to be handcuffed to waste pipes in the corridor. Two women gave birth there.

"The women behaved so bravely. They captured four Iranian nurses while we were there and there were no female authorities so there was no-one to save them from the men. But they wouldn't stand for any bad treatment, even verbally, they would shout at the men to leave them alone and they did. They prayed loudly and every morning they shouted the name of the Ayatollah Khomeini even though the guards tried to stop them. They were released four years' before us and managed to get a message to our families. But the Iraqis said we had not been arrested.

"While I was there, I lost a third of my weight. God helped me bear it. I thought of my family as a gift from God and that he would take care of them for us. When we were released, the religious ones had withstood it quite well. But those who were weak in religion thought they were lost and it was much more difficult for them.

"When we got back to Iran last September, we were expecting Islamic rule to be applied more than it is. I know we are getting there, but not all people apply it in the same way. You see women with make up on their faces and people don't believe as they should. We have sacrificed much for this: 124,000 soldiers were killed in the war and 40,000 crippled."

Seyyed Mohsen Yahyavi: finally released after 10 years' captivity